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THESIS

**STRATEGIES TO MINIMIZE FINANCIAL LOSSES
DURING
PERMANENT CHANGE OF STATION MOVES**

by

Julio C. Guerra III

December, 1993

Principal Advisor:

O.D. Moses

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**STRATEGIES TO MINIMIZE FINANCIAL LOSSES
DURING
PERMANENT CHANGE OF STATION MOVES**

by

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Submitted in partial fulfillment
of the requirements for the degree of

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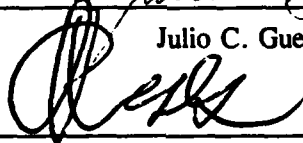
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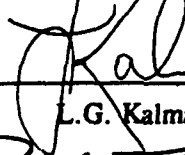
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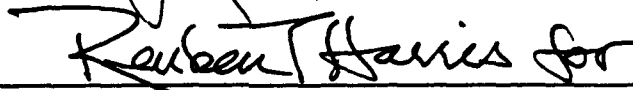


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ABSTRACT

The Military Traffic Management Command (MTMC) has responsibility for all military household goods shipments. Processing of claims resulting from damage and losses incurred during household goods shipments is competed by each service's adjudication offices. In the Department of the Navy, claims are adjudicated by the Office of the Navy Judge Advocate General through local and regional offices. This research (1) presents the suggestions of the various participants in the household goods claim process on how to limit losses, and (2) analyzes the costs and benefits of four options available for military personnel to limit uncompensated losses on military household goods shipments: Basic Government Coverage; Option 1, Increased Valuation; Option 2, Replacement Cost Coverage; and Private Insurance Coverage. The research presents a profile of the household goods claim experience of naval officers reporting to the Naval Postgraduate School in 1992. It was found that Basic Government Coverage was adequate for most shipments and that Option 2 coverage offered advantages under specific circumstances. In addition, Private Insurance Coverage carried during shipments offered valuable additional coverage where missing items were a large factor.

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I. INTRODUCTION

A. A RECURRING STORY

Every year thousands of military personnel are transferred from one location to another all over the world. The process, commonly referred to as a permanent change of station (PCS) move, begins with official orders to a new command. Personnel take the orders to their base Personal Property Office (PPO) to identify any special packing requirements and set up the packing and pick up dates for their household goods. The PPO contracts local commercial moving companies to pack and pick up the shipment on the designated dates.

On moving day, the carriers pack and label the household goods and have the military personnel sign inventory sheets which list all of the boxes and individual unboxed items in the shipments. The inventory lists also include codes which identify any preexisting damage on the household goods.

Finally arriving at the new duty stations 30 days later, the personnel call the local PPO to request a delivery date for the household goods which have been in temporary storage locally for a few weeks. A few days later, the carrier arrives at the new home and unloads the household goods as the owner checks the items off the inventory list. After accounting for everything on the inventory, the owner thanks

the carrier for getting all the household goods to the new home with no damage or losses.

Unfortunately, not all military moves end with this universally desired conclusion. Some damage and loss of household goods on PCS moves is probably unavoidable given the volume of material moved by commercial carriers for the military. The occurrence of damage and/or lost articles adds another dimension to the military household goods move process - the filing of a claim against the Government, commercial carrier or commercial insurance company. However, the claim process used is determined by the decisions that military personnel make concerning damage/loss coverage options prior to initiation of the PCS move. Those decisions will also determine the level of uncompensated losses that the military personnel will experience as a result of claims for damage and/or losses on a PCS move.

B. RESEARCH OBJECTIVE

This thesis will concentrate on evaluating the different options available to military personnel to cover damage and losses to household goods incurred during a PCS move. The dual goals of the study are to present the subjective opinions of the various participants in the claim process on how to limit losses, and to provide a detailed evaluation of the four options which are currently available to limit uncompensated losses.

1. PRIMARY RESEARCH QUESTION

Given the stated goals of the study, the primary research question is:

What actions can a military officer take prior to a PCS move to minimize uncompensated damage or loss of household goods incurred during the move, and what are the costs and benefits associated with these actions?

2. SUBSIDIARY RESEARCH QUESTIONS

Several subsidiary research questions are posed to address issues which directly relate to the level of coverage for incurred damage. The personnel's understanding of and satisfaction with the current system are also important factors which may impact the ultimate coverage combination on a move. The questions are:

What is the actual loss experience for a sample group of military officers engaged in a PCS move?

What percent of losses are due to the depreciation method used to settle claims by the government?

What percent of losses are covered by replacement cost insurance purchased by personnel at time of move from carrier?

How familiar are members with the additional replacement cost insurance available for PCS moves?

What percent of losses are covered by personal renter's or homeowner's insurance?

How satisfied are personnel with the current financial protection from losses provided on PCS moves?

C. SCOPE, LIMITATIONS AND ASSUMPTIONS

1. SCOPE

The scope of this thesis was limited to an analysis of completed officer PCS household goods damage claims on file in the base legal office at the Naval Postgraduate School, Monterey, California for calendar year 1992. This data set was selected because final settlements were available for most claims.

2. LIMITATIONS

Due to the nature of the mission of the Naval Postgraduate School, most of the personnel reporting to the command are student officers from all branches of the armed forces. For this reason, most of the completed claims on file in the base legal office are officer claims. Only officer claims were used for this thesis.

Furthermore, the claims of non-Navy officers are forwarded to their particular service for settlement [Ref. 1]. Therefore all of the claims analyzed were Naval officer claims processed locally by the base legal office.

The base legal office has authority to adjudicate household goods claims that do not exceed \$2,000. Claims over this threshold are forwarded to Naval Station Treasure Island for processing [Ref. 2]. However, the vast majority (90.8 %) of the claims initiated in PPO fall in the under \$2,000

category [Ref. 1]. The data used for this study will consist of locally processed claims under \$2,000.

The thesis did not address the validity or circumstances of individual claims. Nor did the study address the military evaluation process for commercial movers. The study did not address the issue of military collection from carriers for claims previously paid by the military or make a comparison of commercial and military move claims processing.

3. ASSUMPTIONS

This thesis assumes that calendar year 1992 claims on file are a representative sample of average claims experience on moves from random locations for mid-grade Naval officers (03,04). Because personnel have up to two years to file a claim on a PCS move, it was assumed that some of the claims completed in 1992 were from prior year PCS moves and that some claims for 1992 PCS moves would not be submitted until 1993.

Although origin of shipment is random, destination is unique. The unique destination should be noted as a potential factor influencing the level of claims due to the local quality of carrier personnel and necessity for temporary storage of shipments as personnel wait to occupy government or private quarters.

D. OVERVIEW OF RESEARCH METHODOLOGY

The research identifies the major participants in the military household goods claim process. The role of each participant in the claim process is highlighted.

A detailed discussion of the specific features of the various options available to military personnel to limit uncompensated losses on PCS moves is provided to familiarize the reader with the specific coverage and cost associated with each option. These options include military basic coverage, increased valuation (Option 1), carrier replacement cost coverage (Option 2) and commercial insurance coverage.

The research uses both qualitative and quantitative approaches to gather information on which to base conclusions. The qualitative information is solicited from the various participants in the claim process through interviews, questionnaires and a survey. The quantitative information is gathered from 1992 completed officer PCS claims on file in the base legal office at the Naval Postgraduate School.

E. ORGANIZATION

Chapter II provides an overview of the background, regulations and responsibilities of the Military Traffic Management Command, the commercial household goods carrier industry, the PPO, and the base legal office.

Chapter III provides a detailed summary of the specific options available for loss coverage from the Government, the carriers and through private renter's insurance.

Chapter IV presents and summarizes the results of the qualitative research items including all interviews, questionnaires and survey results.

Chapter V presents the quantitative analysis of the sample claims data. The objective is to compare the advantages of the different coverage options available.

Chapter VI includes a summary, answers to primary and secondary research questions based on the study and the researcher's recommendations for additional research.

II. THE CLAIM PROCESS PARTICIPANTS

A. INTRODUCTION

Background information for this thesis was obtained primarily from material available at the Dudley Knox library at the Naval Postgraduate School. A Dialog Information Services search was conducted to explore recent articles in the general subject area. Additional information was provided directly by the Military Traffic Management Command (MTMC), the Interstate Commerce Commission (ICC) and United States Automobile Association Insurance Company (USAA). Although adequate background information was found on several PCS move related topics, no published material was found that indicated prior research in the specific area of this thesis.

This chapter introduces the major participants in the military household goods shipment field and defines their respective role in the process. The objective of this chapter is to provide the reader with an overview of the specific role each of the participants plays in the household goods shipment process and the associated claim process.

B. MILITARY TRAFFIC MANAGEMENT COMMAND

1. History of the Military Traffic Management Command

The MTMC is the Department of Defense agency responsible for military household goods shipment policy. In

his thesis, Gardner-Brown, provides a brief summary of the origins of the MTMC.

The beginning of a "Personal Property Program" can be traced to the late 1940s, following World War II. At this time, the federal government passed several pieces of legislation that affected personal property movement. These were the Public Law 604 of 1946 (which instructed the military services to develop uniform moving procedures); the National Security Act of 1947 (which established the Department of Defense, and its charters which attempted to eliminate overlap in military procurement and transportation, including household goods shipments); and the Career Compensation Act of 1949 (which provided the Armed Forces with authority to move military personnel's household goods, and established uniform policies for all services governing personal property shipments).[Ref. 3:p. 6]

In 1956, the DOD began to centralize the management of all land traffic (including the HHG Program) under one agency: the Military Traffic Management Agency (MTMA), which subsequently was reorganized and became the Military Traffic Management Command.[Ref. 3:p. 6]

2. Responsibility of the Military Traffic Management Command

The MTMC is responsible for providing "...technical direction, supervision and evaluation of traffic management aspects of the DOD Personal Property Shipment Program on a worldwide basis." [Ref. 4:p. 1-4] Some key responsibilities include selection, evaluation and disqualification of commercial carriers for household goods shipments [Ref. 4:p 1-5,6]. A more detailed list of responsibilities is provided in reference 4, section 1006. b..

It is important to note that claims for damage on household goods shipments are the responsibility of the heads of DOD components, not the MTMC [Ref. 4:p. 1-6]. However,

MTMC does collect claims data from field commands through the Personal Property Loss/Damage Claims Information Report which lists [Ref. 4:p. 10-6]:

- Document number.
- Date of claim.
- Adjudicated amount of claim.
- Amount paid by the Government.
- Amount claimed against the carrier.
- Amount paid by the carrier.
- Date claim was settled.

The focus of the data collected by MTMC is on the adjudicated amount of the claim paid by the Government and the amount reimbursed to the Government by the carrier. Note that the focus of the reporting requirement is not on the ultimate liability born by military personnel.

3. Applicable Laws and Regulations

General entitlement to household goods shipments for military personnel is detailed in the Joint Federal Travel Regulations. However, the mechanics of the household goods movement program are published in the Department of Defense Personal Property Traffic Management Regulation [Ref. 4.]. Issued by the Office of the Assistant Secretary of Defense (Production and Logistics), this regulation is organized by chapter as follows:

1. Policy and Responsibilities.

2. Household Goods and Unaccompanied Baggage.
3. TGBL, Weighing and Shipment Marking Procedures.
4. The Direct Procurement Method (DPM)
5. Rates, Charges, and Billings.
6. Storage of Household Goods.
7. Mobile Homes.
8. Transportation of Privately-Owned Vehicles.
9. Shipment Procedures for Privately-Owned Firearms.
10. Specialized Procedures
11. The U.S. Government Bill of Lading
12. The Do-It-Yourself (DITY) Move.

Section 10001, Loss and Damage, of Chapter 10 [Ref. 4] is the specific area that deals with procedures and guidance for claims on household goods shipments. Although brief, the instructions cover the forms required to submit claims associated with basic Government loss and damage coverage.

4. Scope of Operations

The following facts help describe the magnitude of MTMC operations [Ref. 5:p. 8-9]:

- Worldwide, over \$1 billion per year spent to move household goods.
- Domestically, over \$400 million spent on household goods shipments.
- 288,000 domestic household goods shipments, over one billion pounds.
- 155 domestic shipping offices.

- 590 approved commercial carriers.

As these facts point out, the scope of MTMC is worldwide and characterized by a high volume of shipments using hundreds of different commercial carriers.

C. THE COMMERCIAL CARRIER INDUSTRY

1. History

The commercial carrier industry is made up of "...carriers, agents and owner-operators...., ...engaged in the transportation of property." [Ref. 3:p. 18] A detailed history and description of the industry is provided by Gardner-Brown [Ref. 3:p. 18-21] and Putnam [Ref. 6:p. 30-34].

Due to the scope of this thesis, an understanding that the industry is made up of many private common carriers represented by local agents is sufficient.

2. Increased Carrier Liability

In 1987 the MTMC adopted the increased liability system for domestic shipments. Under this system, carriers' liability for damage or loss of household goods on DOD moves went from \$.60 per pound per article, to full depreciated value up to a maximum amount per shipment based on the shipment weight multiplied by \$1.25 per pound. [Ref. 7:p. 114-115]

The increased liability system also created the liability coverage options which are analyzed in this thesis,

"...Basic Coverage (New Released Valuation), Option 1 (Higher Released Valuation) and Option 2 (Full Replacement Protection)." [Ref. 7:p. 115] These options are discussed in detail later in Chapter III. Option 1 and Option 2 are administered by the commercial carrier and require additional payment of fees if elected by military personnel.

3. Scope of Government Related Business

The following statistics provide some insight into the relative importance of Government household goods shipments to major commercial moving companies. Derived from selected 1992 Performance Reports on file with the ICC [Ref. 8], the data show total Government shipments and the percentage of total shipments for each carrier that the quantity represents.

TABLE 2.1

1992 TOTAL Government SHIPMENTS AND PERCENT OF TOTAL SHIPMENTS FOR SELECTED MAJOR COMMERCIAL CARRIERS.

Commercial Carrier	Number of GBL Shipments	Percent of Total Business
Bekins Van Lines	7,089	13%
Global Van Lines	8,351	27%
Mayflower Transit	11,473	12%
National Van Lines	15,244	65%
United Van Lines	23,684	15%
Wheaton Van Lines	8,173	37%
American Red Ball	6,637	25%

These data show that the relative volume of Government household goods shipments varies widely by carrier. The data

also help put in perspective the huge total volume of civilian household goods shipments which compete with Government shipments for damage/loss-free handling.

D. PERSONAL PROPERTY OFFICE

1. Responsibility

The key player from initiation of a household goods move to the processing of a claim for loss or damage is the local Personal Property Office (PPO). The responsibilities of the office include [Ref. 3:p. 9]:

- counsel personnel preparing to relocate to new duty stations or leaving Government service;
- arrange for packing, storage and transportation of household goods;
- prepare supporting documents;
- inspect incoming and outgoing personal property shipments;
- process claims for personal property damaged in transit;
- maintain quality control records on carriers and all necessary files and records.

A detailed list of responsibilities is provided in reference 4, section 1006, f.

2. Premove Counseling

The household goods shipment process begins for military personnel with a premove counseling session with a trained counselor at the PPO. Using a Personnel Property Counseling Checklist (DD Form 1797), the counselor advises

personnel of their entitlements and responsibilities. With respect to loss liability coverage,

The counselor shall explain the released valuation prescribed for the member's shipment and possible added costs to the member if higher valuation is desired. In addition, the member shall be advised of the availability of commercial insurance coverage. [Ref. 4:p. 1-15]

Personnel must elect Option 1 for higher valuation or Option 2 for replacement coverage at the time of counseling. Personnel cannot elect the additional coverage after the shipment has been initiated. Furthermore, election of Option 1 or Option 2 must appear on the Application for Shipment and/or Storage of Personal Property (DD Form 1299) and the Personal Property Bill of Lading (SF 1203). Option 1 and Option 2 coverage is not currently available on overseas shipments or during periods of non-temporary storage. [Ref. 9:p. 15-16]

3. Carrier Selection

After the specific requirements of the household goods shipment have been determined, the PPO selects the mode of shipment and the local carrier that will handle packing and movement of the shipment. The local carrier must have a MTMC approved Tender of Service [Ref 4:Appendix A] and a Letter of Intent [Ref. 4:Appendix B] on file at the PPO to be considered for shipment assignment. The local PPO distributes shipments equitably among the eligible carriers using a complex system detailed in Reference 4, Chapter II.

4. The Move Process and Postmove Claims Assistance

The carrier selected by the PPO will pick up the household goods shipment at origin and deliver it to the destination, with transfers and perhaps some temporary storage. A key document in this process is the inventory prepared at the initiation of the shipment by the carrier which is signed by the owner of the property. This inventory lists all items in the shipment and preexisting damage on the household goods. At delivery, the inventory is used to assess the completeness of the shipment and damage enroute. An accurate inventory is an excellent tool to prevent loss due to lack of identification of an item as well as identification of new damage on household goods which occurred in transit.

The most important forms, with respect to claiming losses, are the Joint Statement of Loss or Damage at Delivery (DD Form 1840) and the Notice of Loss or Damage (DD Form 1840R). The PPO is responsible for counseling personnel to complete the following actions [Ref 4:p. 10-4]:

- In conjunction with the carrier, complete Section B and sign the DD Form 1840 at the time of delivery.
- Within 70 days from the date of delivery, submit all three copies of the completed DD Forms 1840 and 1840R to the appropriate claims office.
- Retain (3) signed and completed copies of the DD Form 1840.
- Annotate additional losses or damage found after delivery on the DD Form 1840R (reverse of DD Form 1840).

The PPO at the Naval Postgraduate School facilitates the claim counseling process by providing personnel with a detailed written instruction package; a copy of which is provided in Appendix 1.

5. Claims Review Responsibility

Aside from insuring that the claim documentation is complete and that copies of all required forms are included in the package, the PPO also

...shall conduct an inspection of the property and prepare a DD Form 1841 (Government Inspection Report). The PPSO's inspection shall be conducted within 10 working days of receiving the report of damage. The inspection report shall describe the nature and extent of the damage and present the PPSO's explanation of the probable cause of the damage. [Ref. 4:p. 10-5]

Since each service processes its own claims for household goods damage, the PPO forwards the claim packages to the responsible service's processing office. In the case of Naval officers at the Naval Postgraduate School, the entire claim package (if \$2000 and under, over \$2000 are sent to Naval Station Treasure Island for processing) is routed to a designated Claims Investigating Officer for review and then forwarded to the base legal office for adjudication. [Ref. 1]

E. LEGAL OFFICE

1. Claims Adjudication Regulations

In the Department of the Navy, adjudication of household goods shipment damage and loss claims is vested in the Office of the Judge Advocate General. The specific instructions for adjudication of personal property claims is detailed in Enclosure 5 of Judge Advocate General Instruction 5890.1 of 17 January 1991. [Ref. 10]

The basis for the adjudication authority is summarized as follows [Ref. 10:Enclosure 5,p. 1]:

The Military and Civilian Employees' Personal Claims Act (Personnel Claims Act), 31 U.S.C. 3701, and 3721 provides that the maximum amount payable for any loss or damage arising from a single incident is limited to \$40,000. Claims for losses occurring prior to 31 October 1988 are limited to \$25,000.

The Personnel Claims Act Provides the authority for maximum payment up to \$40,000 for loss, damage or destruction of personal property of military personnel or civilian employees incident to their service. The Act provides for the recovery from carriers, warehouse firms, and other third parties responsible for such loss, damage or destruction. No claim may be paid unless it is presented in writing within 2 years of the incident giving rise to the claim.

This adjudication authority, as authorized by the Personnel Claims Act, is the legal basis of the Government provided basic coverage for loss or damage entitlement on a household goods shipment. The basic coverage is not meant to be a substitute for private insurance.

2. Claim Adjudication Process

By its nature, the claim adjudication process is somewhat subjective. However, the Office of The Judge Advocate General provides the following guideline.

Adjudications must be based on common sense and the reasoned judgement of the claims examiner giving the benefit of realistic doubt to the claimant. [Ref. 10:Enclosure 5, p. 2]

The claims adjudication process actually begins with the preparation of DD Form 1842 (Claim for Personal Property), and DD Form 1844 (List of Property), provided by the PPO in the claims instruction packet (Appendix 1). The key document in the process is the DD Form 1844, on which personnel list damaged and missing items, provide original cost and acquisition date, and list the extent of damage with estimated repair or replacement costs.

After the claim is forwarded to the legal office by the Claims Investigating Officer, the legal office personnel use the Allowance List Depreciation Guide (ALDG) to evaluate the individual claim items listed on the DD Form 1844 [Ref. 11]. The guide specifies "...rates of depreciation and maximum payments applicable to categories of property." [Ref 10:Enclosure 5, p. 14.] Although there are very specific guidelines for the amount of payment for specific types of damage and loss [Ref 10:Enclosure 5, p.14-23], in general the process pays for full repair cost of items that can be

repaired and depreciated value of lost and destroyed items; subject to the ALDG limits.

After adjudicating the claim, the legal office authorizes payment of the claim, sends the claimant a notice of the amount of the payment and informs the claimant of his right to appeal the amount of the settlement [Ref. 2].

However, the payment to the claimant does not complete the claim. After the claimant is paid by the Government, the legal office files a claim against the carrier to recover the amount paid by the Government on the claim; subject to the carrier's liability on the shipment. Only when this process is complete is the claim designated "completed". [Ref. 2]

F. SUMMARY

This chapter presented the major participants in the military household goods shipment and claim process. The key roles of the PPO and the legal office in the claim process were discussed. The importance of the premove counseling session for electing optional coverage should be evident.

Chapter III will present a detailed discussion of the four coverage options which are evaluated in this thesis: basic Government coverage, increased valuation from carrier (Option 1), carrier replacement cost coverage (Option 2) and commercial insurance coverage.

III. HOUSEHOLD GOODS COVERAGE OPTIONS

A. INTRODUCTION

This thesis addresses four options available to limit damage and loss exposure for military officers on PCS moves:

- Basic Government coverage, which is free to the officer.
- Option 1, purchased increased valuation from carrier.
- Option 2, purchased replacement cost coverage from carrier.
- Commercial insurance purchased from private companies.

Each type of coverage is described in detail with respect to the liability covered, an example of how the coverage works and the claim processing procedure involved.

The discussion of Option 1 is presented for completeness only and is not considered in the qualitative or quantitative analysis. Option 1 is only of value in special circumstances which are also covered in Option 2 for a nominal additional charge.

B. BASIC GOVERNMENT COVERAGE - DEPRECIATED REPLACEMENT

1. Description and Liability

As discussed in Chapter II, Section E, the legal basis for the basic coverage for loss or damage on a household goods shipment is the Personnel Claims Act. The Act allows personnel to claim up to \$40,000 for damage or loss, subject

to the limitations in the ALDG. The Government's maximum liability is \$40,000 for each shipment of household goods. Personnel are not charged for the basic coverage.

An issue which effects the ultimate amount recoverable under basic coverage is the increased carrier liability discussed in Chapter II, Section C. Under the increased carrier liability system (alternately referred to as Increased Released Valuation (IRV)) the carrier is liable for full depreciated value of damage or loss up to a maximum amount per shipment based on the shipment weight multiplied by \$1.25 per pound for domestic shipments and \$2.50 for shipments to and from Alaska [Ref. 10:Enclosure 5, p. 32]. The possible impact of this carrier liability is discussed in the example below.

2. Basic Coverage Example

For a 10,000 pound household goods shipment from Norfolk, Virginia to Monterey, California, the Government's maximum liability is \$40,000 and the carrier's maximum liability is \$12,500 (\$1.25 per pound times weight of shipment, 10,000 pounds). Three bicycles (designated A,B,C) in the shipment are damaged, destroyed or lost. The ALDG specifies depreciation of ten percent per year up to a maximum of 75 percent with a maximum payment per item of \$750 [Ref. 11:p. 3].

Bicycle A is one year old, cost \$150 and has \$20 of minor damage. The Government will pay the full \$20 cost to repair the damage.

Bicycle B is ten years old, cost \$100 and is totally destroyed. Based on depreciation of ten percent per year the bicycle would have no value. Since 75% is the maximum depreciation allowed, the Government will pay \$25 (25% of \$100) for the destroyed bicycle.

Bicycle C is brand new, cost \$1,500 and is missing. Depreciation is not applicable since the bicycle is new. The Government will only pay \$750 of this loss due to the limit imposed in the ALDG.

Since this is a domestic shipment, increased carrier liability may impact the ultimate amount paid. After the Government pays personnel claims, it claims the total amount of the damage claim against the carrier, who is liable up to \$12,500 for this shipment. In the case of bicycle C, the Government will claim the full \$1,500 against the carrier. Any amount the carrier reimburses the Government over the \$750 initially paid by the Government will be returned to the owner of bicycle C. Of the 176 completed claims reviewed for this thesis, none showed evidence of this type of payment.

Although \$40,000 appears to be adequate to cover any loss or damage incurred in a shipment of household goods, the example shows that, as a result of applying the ALDG limits, personnel may not be fully compensated for specific types of

losses. Table 3.1 summarizes the payments in the example and shows how this particular shipment cost the individual \$825 in uncompensated losses on a claim of \$1,620; well under the Government's or carrier's maximum liability.

TABLE 3.1
BASIC GOVERNMENT COVERAGE EXAMPLE SUMMARY

Bicycle	Amount Claimed	Amount Paid	Difference
A	\$20	\$20	0
B	\$100	\$25	\$75
C	\$1,500	\$750	\$750
Total	\$1,620	\$795	\$825

3. Claim Processing Procedure

The claim processing procedure for basic Government coverage claims was discussed in Chapter II. The PPO staff assist personnel in submitting a complete claim package, review the packages and submit locally processed packages to the designated Claims Investigating Officer. The Claims Investigating Officer forwards the claim to the legal office for adjudication and payment. The Government has sole responsibility for processing basic coverage claims.

C. OPTION 1 - HIGHER INCREASED RELEASED VALUATION

1. Description and Liability

There are two specific conditions that warrant the use of Option 1 - Higher Increased Released Valuation:

- protection for individual items that exceed the ALDG payment limits;
- protection for a shipment valued greater than \$40,000.

The coverage must be elected prior to the pick up of the shipment and is only available for domestic and Alaska shipments. The charge for the coverage is 64 cents per \$100 of additional valuation. [Ref. 9:p. 16]

Personnel may elect a lump sum of additional coverage (e.g., \$30,000), or specify a dollar multiple times the net weight of the shipment (e.g., \$3.00 times net weight) [Ref. 10:Enclosure 5, p. 33].

The Office of the Navy Judge Advocate General has highlighted several problems with Option 1 coverage [Ref. 12:p. 3]:

Many personal property offices are not adequately advising the member about the Increased Released Valuation Basic Coverage, Option 1 and Option 2.

When counseling members, many times the counselors do not mention the per item and per category maximum allowances that may be paid under the Military Personnel and Civilian Employee' Claims Act. If a member has items he believes are worth more than the maximum allowance, either Option 1 or Option 2 should be considered.

The following example illustrates how this coverage works and how much it actually costs personnel to use.

2. Option 1 Example

For a 10,000 pound household goods shipment from Norfolk, Virginia to Monterey, California, the Government's maximum liability is \$40,000 and the carrier's maximum

liability under basic coverage is \$12,500 (\$1.25 per pound times weight of shipment, 10,000 pounds). A new computer costing \$20,000 is included in the shipment. The ALDG specifies depreciation of 20 percent per year up to a maximum of 75 percent with a maximum payment per item of \$4,000 [Ref. 11:p. 5].

The owner elects lump sum \$20,000 increased valuation prior to the move. The additional coverage costs \$128 (64 cents times the number of \$100 in increased valuation, 200). Since the Government pays the carrier for the first \$12,500 in liability at the same rate (64 cents per \$100 in valuation) under basic coverage, \$80 (64 cents times the number of \$100 in valuation, 125) of this cost is paid by the Government. The net cost of the coverage to the owner is \$48 (\$128 - \$80). [Ref. 13]

The computer is destroyed in shipment. Depreciation is not applicable since the computer is new. Under basic coverage, the Government will only pay \$4,000 of this loss due to the limit imposed in the ALDG. Since the carrier liability under basic coverage is only \$12,500, the most the owner could receive for his \$20,000 loss is \$4,000 from the Government and \$8,500 from the carrier (after the Government filed against the carrier for the full \$20,000 loss). However, because the owner elected Option 1 for up to \$20,000 in liability, the carrier must pay the full \$20,000.

In this example, a \$48 payment by the owner reduces his uncompensated loss by \$7,500. Table 3.2 summarizes the example and contrasts the basic coverage and Option 1.

TABLE 3.2
OPTION 1 EXAMPLE SUMMARY

Computer	Cost to Owner	Cost to Govmnt	Amount Claim	Amount Paid	Diff.
Basic	0	\$80	\$20,000	\$12,500	\$7,500
Option 1	\$48	\$80	\$20,000	\$20,000	0

3. Claim Processing Procedure

Unlike basic coverage claims, claims for damage and loss for personnel electing Option 1 must be submitted directly to the carrier. There is an exception for Army personnel; they may elect to file with the carrier or Government [Ref 9:p. 16]. If after 30 days the carrier fails to settle, the Government will accept the claim for adjudication under the basic coverage procedures and then file against the carrier for the full value of the loss up to the carriers limit of liability. Personnel are refunded the amount recovered from the carrier over what the Government had previously paid on the claim. [Ref 10:Enclosure 5, p. 33-34]

D. OPTION 2 - REPLACEMENT COST COVERAGE

1. Description and Liability

The specific conditions that warrant the use of Option

2 - Full Replacement Protection, include:

- protection for individual items that exceed the ALDG payment limits;
- protection for a shipment valued greater than \$40,000;
- desire by the claimant not to have damaged or destroyed items depreciated prior to settlement.

The coverage must be elected by personnel prior to the pick-up of the shipment and is only available for domestic shipments. The charge for the coverage is 85 cents per \$100 of stated valuation and the minimum coverage is the greater of \$21,000 or \$3.50 times the net weight of the shipment. [Ref. 9:p. 17] Translated, this means if the shipment weight is 6000 pounds or less, the minimum coverage is \$21,000 (\$3.50 times 6000 pounds is equal to \$21,000 in valuation).

The Office of the Navy Judge Advocate General has highlighted several problems with Option 2 coverage [Ref. 12:p. 3-4]:

Many counselors assume the only coverage available under Option 2 is \$21,000 or \$3.50 times the weight of the shipment. This is the minimum coverage available when selecting full replacement coverage. As we interpret the Tender of Service, under both Option 1 and Option 2, a member can either take lump sum coverage (i.e., "Option 1--\$75,000 lump sum") or increase the amount multiplied per pound (e.g., "Option 2--valuation of \$4.00 per pound times the weight of the shipment") to arrive at the desired level of protection.

Counselors are not advising members who select Option 2 that the carrier has the right to repair or replace items, and the claimant must first submit his claim to the carrier.

The following example illustrates how Option 2 coverage works and how much it actually cost personnel to use.

2. Option 2 Example

For a 10,000 pound household goods shipment from Norfolk, Virginia to Monterey, California, the Government's maximum liability under basic coverage is \$40,000 and the carrier's maximum liability is \$12,500 (\$1.25 per pound times weight of shipment, 10,000 pounds). Three bicycles (designated A,B,C) in the shipment are damaged, destroyed or lost. The ALDG specifies depreciation of ten percent per year up to a maximum of 75 percent with a maximum payment per item of \$750 [Ref. 11:p. 3].

The owner elects the minimum replacement cost valuation, \$3.50 times the net weight of the shipment prior to the move for a total valuation of \$35,000 (\$3.50 per pound times 10,000 pounds). The coverage costs \$297.50 (85 cents times the number of \$100 in valuation, 350). Since the Government pays the carrier for the first \$12,500 in liability at 64 cents per \$100 in valuation under basic coverage, \$80 (64 cents times the number of \$100 in valuation, 125) of this cost is paid by the Government. The net cost of the coverage to the owner is \$217.50 (\$297.50 - \$80). [Ref. 9:p. 17]

Bicycle A is one year old, cost \$150 and has \$20 of minor damage. The Government would pay the full \$20 cost to repair the damage under basic coverage, and the carrier will pay the same amount under Option 2.

Bicycle B is ten years old, cost \$100 and is totally destroyed. Based on depreciation of ten percent per year the bicycle would have no value. Since 75% is the maximum depreciation allowed, the Government would pay \$25 for the destroyed bicycle under basic coverage. However, the carrier is bound to pay the full replacement cost of \$100 under Option 2.

Bicycle C is brand new, cost \$1,500 and is missing. Depreciation is not applicable since the bicycle is new. The Government would only pay \$750 of this loss due to the limit imposed in the ALDG under basic coverage. The carrier is bound to pay the full \$1,500 replacement cost under Option 2.

This example uses the basic coverage example data in order to contrast basic coverage to Option 2. The example shows how selection of Option 2 can eliminate uncompensated loss due to depreciation and ALDG limits. Table 3.3 summarizes the example and contrasts the basic coverage to Option 2.

TABLE 3.3**OPTION 2 EXAMPLE SUMMARY**

Bicycle A B & C	Cost to Owner	Cost to Govmnt	Amount Claim	Amount Paid	Diff.
Basic	0	\$80	\$1,620	\$795	\$825
Option 2	\$217.50	\$80	\$1,620	\$1,620	0

3. Claim Processing Procedure

Like Option 1 claims, claims for damage and loss for personnel electing Option 2 must be submitted directly to the carrier. If after 30 days the carrier fails to settle, the Government will accept the claim for adjudication under the basic coverage procedures and then file against the carrier for the full value of the loss up to the carrier's liability limit. Personnel are refunded the amount recovered from the carrier over what the Government had previously paid on the claim. [Ref 10:Enclosure 5, p. 34]

E. COMMERCIAL INSURANCE**1. Description and Liability**

Commercial insurance firms and household moving firms offer various policies to cover losses on household moves. These policies include standard renter's and homeowner's insurance and special trip transit insurance. One almost universal characteristic of these commercial policies is that they pay for total loss of the shipment, missing items or

water-damaged items, but do not pay for damaged items. [Ref 9:p. 17]

This thesis will focus on a typical commercial renter's insurance policy with replacement cost coverage and a \$100 deductible issued by United States Automobile Association (USAA). This company and type of policy were the most commonly observed in the claims sample group reviewed for this thesis. Of the 176 claims reviewed for this thesis, 23 (13 percent) showed evidence of partial payment or coverage in place during the PCS move. Of the 23 claims, 18 cited USAA as the insurer, 5 cited Armed Forces Insurance as the insurer. A copy of a typical USAA renter's insurance policy is provided in Appendix 2.

Under the "Moving and Storage" section of Appendix 2, the insurer lists the types of coverage and limitations that apply during a household goods move. Of special interest is that the policy will cover loss of property but will not cover "Breakage, marring, scratching or handling."

Since the primary purpose of the policy is general protection of the owner's property at his home, the cost of the policy is not relevant to this review since the policy was not purchased specifically for the household goods shipment. The intent is to highlight the additional benefits available to reduce uncompensated losses through an insurance instrument which 60 percent of the sample group claim to carry in any case (See student survey results in Chapter IV).

For general information (based on the author's own experience) an annual renter's policy with full replacement cost coverage, \$100 deductible and \$29,100 limit in liability, cost \$142.45 in July 1993 in Monterey, California.

The following example illustrates how commercial coverage works. This example uses the Option 2 example data in order to contrast basic coverage, Option 2 and commercial insurance.

2. Commercial Insurance Example

For a 10,000 pound household goods shipment from Norfolk, Virginia to Monterey, California, the Government's maximum liability is \$40,000 and the carrier's maximum liability under basic coverage is \$12,500 (\$1.25 per pound times weight of shipment, 10,000 pounds). Three bicycles (designated A,B,C) in the shipment are damaged, destroyed or lost. The ALDG specifies depreciation of ten percent per year up to a maximum of 75 percent with a maximum payment per item of \$750 [Ref. 11:p. 3].

The owner elects the minimum replacement cost valuation, \$3.50 times the net weight of the shipment prior to the move for a total valuation of \$35,000. The coverage costs \$297.50 (85 cents times the number of \$100 in valuation, 350). Since the Government pays the carrier for the first \$12,500 in liability at 64 cents per \$100 in valuation under basic coverage, \$80 (64 cents times the number of \$100 in valuation,

125) of this cost is paid by the Government. The net cost of the coverage to the owner is \$217.50 (\$297.50 - \$80). [Ref. 9:p. 17]

The owner also has a commercial renter's policy with full replacement cost coverage, a \$100 deductible and a \$30,000 liability limit which is in effect during the shipment of the household goods.

Bicycle A is one year old, cost \$150 and has \$20 of minor damage. The Government would pay the full \$20 cost to repair the damage under basic coverage, and the carrier would pay the same amount under Option 2. The insurance company will not pay for general damage.

Bicycle B is ten years old, cost \$100 and is totally destroyed. Based on depreciation of ten percent per year the bicycle would have no value. Since 75% is the maximum depreciation allowed, the Government would pay \$25 for the destroyed bicycle under basic coverage. However, the carrier is bound to pay the full replacement cost of \$100 under Option 2. The insurance company will not pay for general damage.

Bicycle C is brand new, cost \$1,500 and is missing. Depreciation is not applicable since the bicycle is new. The Government would only pay \$750 of this loss due to the limit imposed in the ALDG under basic coverage. The carrier is bound to pay the full \$1,500 replacement cost under Option 2. The insurance company would have paid \$1,400 (\$1,500 less the \$100 deductible) since the item is missing. Because the

Government would have adjudicated the claim on bicycle C for \$750 and the owner received \$1,400 from the insurance company, the Government is not bound to reimburse the owner for the uncompensated deductible on his policy.

The example shows how commercial insurance can eliminate some uncompensated loss due to ALDG limits and contrasts these savings to those of Option 2. Table 3.4 summarizes the example and contrasts the basic coverage, Option 2 and commercial coverage.

TABLE 3.4

COMMERCIAL INSURANCE EXAMPLE SUMMARY

Bicycle A B & C	Cost to Owner	Cost to Govmnt	Amount Claim	Amount Paid	Diff.
Basic	0	\$80	\$1,620	\$795	\$825
Option 2	\$217.50	\$80	\$1,620	\$1,620	0
Com.Ins.	N/A	\$80	\$1,620	\$1,445*	\$175

* Basic coverage pays \$20 for bicycle A and \$25 for bicycle B. Commercial insurance pays \$1,400 for bicycle C.

3. Claim Processing Procedure

The Office of the Navy Judge Advocate General has issued specific guidelines with regard to filing claims where losses are covered by private insurance [Ref 14:p. 4]:

Regulations prohibit payment for losses covered by insurance. However, there may be circumstances where the claimant has not been fully compensated by his insurance company. In these cases, a claimant must file with his insurance company either before or at the same time as filing a claim with the Navy. The claimant may not be paid until the claimant provides a line by line breakdown of what was paid for each item by the insurer. The claim

must be fully substantiated and the claims adjudicator must adjudicate each line item individually. The adjudicator then compares the adjudicated value of each line item with what was paid by the insurance company for that item. If the amount the Navy would have paid is greater, you may pay the claimant the difference as long as you abide by the maximum allowance per item and category of items, and of course, the statutory maximum of \$40,000.

The only time a claimant is entitled to payment of an amount equal to his deductible is when the adjudicated value of the loss, minus the amount the insurer has paid or will pay, is equal to or greater than the amount of the deductible.

F. SUMMARY

This chapter presented the mechanics of the four coverage options available to cover losses on military household goods moves and compared their differences. The cost associated with each option, the potential savings on uncompensated losses possible from each option, and the specific limitations of each type of coverage were discussed.

Chapter IV presents the results of qualitative inquiries addressed at the major participants in the claim process. The objectives of Chapter IV are to document user knowledge and use of the claim system through the use of a user survey, and to identify other claim process participant's opinions as to the best options to limit losses on PCS moves based on their personal experience with household goods damage and loss claims.

IV. QUALITATIVE ANALYSIS

A. INTRODUCTION

This chapter contains qualitative opinions of the various participants in the household goods claim process concerning the best methods to limit loss or damage on a PCS move. The main objective of this chapter is to explore and document useful suggestions that the participants may contribute to the research, which may not be obtained from the quantitative analysis of the sample claim data presented in Chapter V. Secondary objectives of this chapter include documentation of the level of actual usage of the options presented in Chapter III, and opinions on the ease of use and fairness of the claim system as it exists today.

This chapter includes a limited survey of military officers who reported to the Naval Postgraduate School in 1992, interviews with local household goods carriers, the PPO and legal office personnel and commercial insurance company questionnaires.

B. OFFICER SURVEY

1. Purpose of the Survey

The purpose of the survey was to assess officer's understanding of the options available to limit loss and damage liability, the level of usage and satisfaction with the

options, and to identify possible under-reporting of damage and loss on PCS moves as an area for future research.

The survey data results were also compared to certain characteristics of the sample claim data set used in Chapter V in order to validate the relationship between the survey group (which is composed of officers who reported in 1992 only) to the claim sample group (which is composed of claims submitted in calendar year 1992 and includes some claims submitted by officers who reported in 1991).

2. Method and Sample Group

On 26 August 1993, 200 surveys were randomly distributed by the author (every tenth Navy officer student mail box) in the Student Mail Center at the Naval Postgraduate School. According to the Student Mail Center staff, the boxes are assigned randomly as students report to the school. The boxes are also marked with the service affiliation of the student. The survey instructions are illustrated in Figure 1.

No attempt was made to preselect the year the officer reported, therefore, based on a current enrollment of 1138 Navy officers [Ref. 15] and a population of 601 Navy officers that reported in 1992 [Ref. 16], roughly 50 percent of the surveys (100 students) were expected to be received by officers reporting in 1992. Actual response was 41 completed surveys, representing a 41 percent response for the 100 students that were the target group of the sample. This also

represents a seven percent coverage rate for the 1992 officer population. Survey responses were collected from 30 August 1993 to 11 September 1993.

STUDENT SURVEY

PCS MOVE HOUSEHOLD GOODS DAMAGE

COMPLETE THIS SURVEY ONLY IF:

1. YOU ARE A U.S. NAVY OFFICER
2. YOU REPORTED TO NPS IN 1992

Please Note: This random survey has limited distribution (200) .

Your response is appreciated!

When completed, fold over and return to:

LT J.C. GUERRA

SMC 1931

Figure 1: Front Page of Student Survey.

The student survey was composed of 14 questions which required yes or no answers. The text of the questions follows:

1. Did you experience any damage/loss to your personal property on your last PCS move?
2. Did you file any claim for this damage/loss with the Government, private insurer or carrier?
3. Were you aware or informed that you could purchase additional replacement cost insurance from the carrier at the time your PCS move was being scheduled by the Personal Property Office?
4. Did you purchase replacement cost insurance from the carrier on your last PCS move?
5. If purchased, did you claim against this coverage?
6. If you claimed against the coverage, were you satisfied with the way the carrier handled your claim?
7. Would you elect to purchase this type of coverage on future PCS moves?
8. Was your personal property covered by a renter's or homeowner's insurance policy during your last PCS move?
9. If so, did you claim against the coverage on your last PCS move?
10. If you claimed against the coverage, were you satisfied with the way the insurance company handled your claim?
11. Would you elect to purchase this type of coverage on future PCS moves?
12. If you filed a claim with the Government:
 - 12.(a) Were instructions for filling out claims clear?
 - 12.(b) Were the claim forms easy to fill out?
 - 12.(c) Did you consider estimate requirements too strict?
 - 12.(d) Were you satisfied with the time it took to process the claim to payment?

12.(e) Were you satisfied with the amount ultimately paid?

12.(f) Do you consider the claims process fair in that it compensates you adequately for damage and loss on a PCS move?

13. Are you satisfied with the current damage coverage options (combination of private insurance, carrier insurance and Government basic coverage) available on PCS moves?

14. Was the duty station you moved from on your last PCS move in the continental United States (i.e., exclude Hawaii and Alaska)?

3. Results of Responses

Responses to the survey were manually tallied by the author. A LOTUS 123 spreadsheet was used to summarize the responses and calculate probabilities (i.e., f/N , where f = number of responses, N = number of observations). Table 4.1 summarizes the results.

One indicator of the representativeness of the survey is the observed response to question 12. The observed probability of a student filing a government claim for the sample was .49 (20/41, where $f = 20$ and $N = 41$). Based on the actual data for the population in the claim logs for 1992 in the PPO [Ref. 1], the probability of filing a claim for the population was .47 (283/601, where $f = 283$ actual claims submitted in 1992, N = total population of Navy officers that reported in 1992).

TABLE 4.1

RESULTS OF STUDENT SURVEY (N = 41 *)

Question Number	Yes Resp. (f)	Probab of Yes	No Resp. (f)	Probab of No
1	35	0.8537	6	0.1463
2	22	0.5366	19	0.4634
3	21	0.5122	19	0.4634
4	0	0.0000	41	1.0000
5	0	0.0000	0	0.0000
6	0	0.0000	0	0.0000
7	10	0.2439	25	0.6098
8	25	0.6098	16	0.3902
9	3	0.0732	24	0.5854
10	3	0.0732	0	0.0000
11	24	0.5854	9	0.2195
12a*	10	0.5000	10	0.5000
12b*	9	0.4500	11	0.5500
12c*	11	0.5500	9	0.4500
12d*	4	0.2000	14	0.7000
12e*	5	0.2500	10	0.5000
12f*	6	0.3000	10	0.5000
13	28	0.6829	11	0.2683
14	34	0.8293	7	0.1707

* Probabilities for question 12 are based on N = 20, the total number of respondents to question 12.

4. Conclusions from Responses

The author interprets the results of the survey as showing the following characteristics for the 1992 officer population:

- At least 85 percent of the population experienced some form of loss/damage during their last PCS move.
- Only 53 percent of the population filed any type of claim, thus actual damage claims may be under-reported by as much as 32 percent.
- Only half of the population (51 percent) was aware or informed of Option 2 coverage, even though it is a mandatory premove counseling item for all PCS moves.
- None of the population purchased Option 2 coverage for their last PCS move. However, 60 percent indicated they would purchase Option 2 coverage on a future move.
- At least 60 percent of the population was covered by a commercial insurance policy during their last PCS move. However, only 7 percent indicated that they actually filed a claim. Over 58 percent would elect to purchase this type of coverage for a future move. Based on observed responses to questions two and 12, five percent (2/41) of damage claims were filed directly with commercial insurers and are not reported to the government.
- Of the 20 responses to Question 12 (regarding satisfaction with the basic coverage claims process), the respondents were almost evenly split on clarity of instructions, difficulty of completion, estimate requirements, amount ultimately paid and equity of the claims process. However 70 percent indicated that they were not satisfied with the time it took to process the claim.
- At least 68 percent of the population was satisfied with the current damage coverage options.
- Over 82 percent of the population performed a domestic move where Option 2 could have been selected.

These results indicate that most officers are covered by commercial insurance during PCS moves, that none elect the added coverage options (of which only half are even aware exist), and that most officers are satisfied with the current damage coverage options.

C. LOCAL CARRIER INTERVIEWS

1. Purpose of the Interviews

The purpose of the local carrier interviews was to assess usage of carrier replacement cost coverage (Option 2) and to explore other claim related topics from the carrier's perspective, including the carrier's recommendations for limiting damage and loss claims on PCS moves.

2. Method and Sample Group

The PPO supervisor provided a list of suggested candidates for interviews based on her assessment of their willingness to participate in the study. All of the candidates were interviewed by phone on 11 or 12 August 1993 [Ref. 17,18,19,20]. A list of prepared questions was developed and used by the researcher in order to compare responses among the various participants. The questions were answered by claims personnel or owners with the understanding that the source of the comments would be confidential.

The text of the prepared questions was as follows:

1. In your experience, what percentage of military personnel elect to take out replacement cost coverage on moves with you?
2. Do you see this is an increasing, decreasing or negligible trend?
3. What types of problems do you encounter with the claims military personnel submit to you directly?
4. Is there any priority on your part to settle these claims?
5. Do you feel the current claims process is fair?

6. In your opinion, is the claims process slanted to favor the military personnel moving?

7. Do you consider fraud to be a factor on many claims? What percent would you say is fraudulent?

8. What do you see as the major problem with the claims system as it stands now with respect to the way military personnel file claims?

9. What would you do to improve the current system in regard to the military personnel claim filing procedure?

10. In your opinion, does temporary storage in route result in a noticeably higher incidence of claims on a move?

11. What is your best advice to military personnel on how to limit claims on a PCS move?

3. Results of Responses

a. Question 1

Three of the four commercial carriers indicated that use of replacement cost coverage was very low (i.e., one to two percent of shipments or less). However, one carrier indicated that 30 percent of military personnel elected replacement cost coverage (This carrier is referred to as carrier A for the remainder of responses.).

b. Question 2

Only carrier A thought the trend to use Option 2 was increasing. All others considered the usage trend "negligible".

c. Question 3

Only carrier A indicated problems with Option 2 usage. These were: lack of familiarity with how to file and lack of understanding with regards to packing rights.

d. Question 4

Only carrier A indicated some minor priority to settle government claims. All carriers indicated that they try to process all claims quickly.

e. Question 5

Only one out of four carriers considered the current claim process fair in that it equally balanced the financial risk between the carrier and the customer.

f. Question 6

The carriers were mixed on the question of the claims process being slanted to favor military personnel. Two said yes, one said no and one said it was balanced between the carrier and the Government.

g. Question 7

The carriers believed that from five to 30 percent of claims filed involved some type of fraudulent claim.

h. Question 8

The major problems indicated by the carriers included: problems with the DD Form 1840 in that it gave personnel a virtual blank check on damage claims, bad counseling by PPO claim staff and too long a period to settle claims (two years).

i. Question 9

Suggested improvements to the claim system included: allowing the inventory to be the judge of damage

instead of the DD Form 1840, better counseling of military personnel on the importance of the inventory and requiring complete unpacking and damage assessment on day of delivery with active PPO inspector involvement.

j. Question 10

All the carriers were unanimous in that temporary storage was likely to increase damage and loss due to increased handling of the shipment.

k. Question 11

The carrier's advice to limit claims included: pay what it is worth to move (lowest bidder not always a good deal), avoid temporary storage and summer moves (due to high volume) and work with the driver and packers (be friendly and courteous to them) to get good packing and an accurate inventory.

4. Conclusions from Responses

Based on the carrier's responses, the best advice to military personnel to limit losses on a PCS move include:

- Avoid temporary storage.
- Avoid summer moves due to high volume in industry.
- Work with packer and mover; be nice to them.
- Get good packing and accurate inventory.

D. PERSONAL PROPERTY OFFICE INTERVIEWS

1. Purpose of Interviews

The purpose of the PPO personnel interviews was to gather information on the household goods movement and claims process, obtain recommendations for limiting claims on PCS moves, and provide information on the loss and damage liability reduction options available through PPO.

2. Method and Sample Group

The personnel selected for the PPO interviews were the PPO supervisor [Ref. 21], personnel who do premove counseling (only questions one through four) [Ref. 22] and personnel who assist with claim preparation [Ref. 23]. Due to the small size of the PPO at the Naval Postgraduate School, the individuals selected have exposure to all PCS move and claim processing. A list of prepared questions was developed and used by the researcher in order to compare responses among the various participants.

The text of the questions used were as follows:

1. Do you feel basic Government coverage is adequate for most moves?
2. Do you advise military personnel to take out additional insurance on PCS moves?
3. Is it common for personnel to elect carrier replacement cost coverage?
4. Are there benefits to electing this coverage aside from the coverage itself? (Do you think the carrier is actually more careful if this option is purchased by the member?)
5. Do you feel the claims process is easy enough to use?

6. Do you feel the current claims process is fair?
7. In your opinion, is the claims process slanted to favor military personnel?
8. In your opinion, does temporary storage in route result in a noticeably higher incidence of claims on a move?
9. Do you consider fraud to be a factor on many claims?
10. What do you see as the major problem with the claims system as it stands now with respect to the way personnel file claims?
11. What would you do to improve the current system in regard to the claim filing procedure?
12. What is your best advice to personnel on how to limit claims on a PCS move from your experience?

3. Results of Responses

a. Question 1

All respondents felt that basic government coverage was adequate for most moves.

b. Question 2

All respondents indicated that they advised personnel with "high value items" to acquire additional insurance coverage on a PCS move.

c. Question 3

All respondents indicated it was not common for personnel to select Option 2 coverage for PCS moves originating at the Naval Postgraduate School.

d. Question 4

All respondents indicated that the carrier would likely be more careful if Option 2 was purchased on the shipment.

e. Question 5 and 6

All respondents considered the claim process easy to use and fair.

f. Question 7

The respondents were equally divided on the question of whether or not the claim process was slanted to favor military personnel.

g. Question 8 and 9

All of the respondents felt that temporary storage does increase the incidence of claims and that fraud was not a factor on many claims.

h. Question 10 and 11

All respondents saw no major problem with the current claims system. The following suggestions were made to improve the system: have personnel and carrier fill out forms concurrently and carefully and shorten the claim process.

i. Question 12

The respondent's best advice to limit claims on PCS moves included: meet the shipment, avoid temporary storage at destination and treat the movers like people, "be nice".

4. Conclusions from Responses

Based on the PPO personnel's responses, the best advice to military personnel to limit losses on a PCS move include:

- Avoid temporary storage enroute; meet the shipment.
- Take out added coverage for expensive items.
- Work with packer and mover; be nice to them.
- Purchasing Option 2 may result in less claims.

E. LEGAL OFFICE INTERVIEWS

1. Purpose of Interviews

The purpose of the legal office personnel interviews was to explore questions regarding the current Government claim system from the perspective of the personnel who process the claims at the Naval Postgraduate School, and to solicit their recommendations to avoid claims on PCS moves.

2. Method and Sample Group

The legal officer [Ref. 24] and her administrative assistant [Ref. 2] were interviewed because they process all of the local household goods damage and loss claims forwarded by the PPO. A list of prepared questions was developed and used by the researcher in order to compare responses among the participants.

The text of the questions used follows:

1. Do you feel the claims process is easy enough to use?

2. Do you feel the current claims process adequately compensates military personnel?

3. In your opinion, is the claims process slanted to favor personnel?

4. Do you consider fraud to be a factor on many claims?

5. What do you see as the major problem with the claims system as it stands now with respect to the way personnel file a claim?

6. What would you do to improve the current system in regard to the claim filing procedure?

7. In your opinion, does temporary storage in route result in a noticeably higher incidence of claims on a move?

8. What is your best advice to personnel on how to limit claims on a PCS move?

3. Results of Responses

a. Question 1 and 2

The respondents were divide with respect to the claim process being easy to use and with the adequacy of compensation for losses incurred by military personnel.

b. Question 3 and 4

Both respondents felt that the claim process was not slanted to favor military personnel and that fraud was not a factor on may claims.

c. Question 5

The respondents indicated the following problems with the claims system: missing items or errors in forms submitted, length of process too long, difficult estimate requirements and non-availability of replacement cost under basic coverage for damaged items.

d. Question 6

The following suggestions were made to improve the system: reduce number of players (allow one adjustor to settle claims like civilian insurance firms do) and seek closer coordination between legal office and PPO staff.

e. Question 7

The respondents were evenly split on the issue of whether or not temporary storage enroute caused increased incidence of claims.

f. Question 8

The respondents made the following suggestions on how to limit claims on PCS moves: discontinue use of carriers with high claim history, itemize high value items on the inventory, make sure all items are clean before shipment and contest the carriers "soiled" exceptions if taken on upholstered items on the inventory, dismantle your own items and retain all hardware, hand carry valuables, make sure carrier packs right - call PPO for an inspector if carrier is not packing correctly.

4. Conclusions from Responses

Based on the legal office personnel's responses, the best advice to military personnel to limit losses on a PCS move include:

- Make sure items are clean; contest comments on inventory.
- Hand carry valuables; list high value items clearly on inventory.

- Work with packer and mover; insist on correct packing even if it takes a PPO inspector to make them do the job right.
- Dismantle items yourself that can be taken apart and hand carry all hardware so that it will not be lost by mover.

F. COMMERCIAL INSURANCE COMPANY QUESTIONNAIRES

1. Purpose of Questionnaires

The purpose of the commercial insurance company questionnaires was to provide background information on the types of coverage available, actual loss experience on military moves, and the insurance companies' recommendations of methods to limit claims on PCS moves.

2. Method and Sample Group

Two insurance companies, United States Automobile Association (USAA) of San Antonio, Texas and Armed Forces Insurance (AFI) of Fort Leavenworth, Kansas, together accounted for 100 percent of the commercial insurance payments documented in the 1992 sample claims data set. Based on their relation to the claim data set, both firms were asked to respond to a questionnaire prepared by the researcher.

The text of the questionnaire follows:

1. In your experience, what percentage of military personnel you insure elect to take out replacement cost coverage prior to PCS moves?
2. Do you see this is an increasing, decreasing or negligible trend?
3. What types of problems do you encounter with the claims submitted to you for losses on PCS moves?

4. Is there any priority on your part to collect from the carrier for these losses after payment to the military personnel?

5. Do you feel the current claims process is fair with respect to the officer having to file against his personal insurance on a Government sponsored move?

6. In your opinion, is the claims process slanted to favor the officer?

7. Do you consider fraud to be a factor on many PCS associated claims?

8. What do you see as the major problem with the military claims system as it stands now with respect to the way an officer files a claim?

9. What would you do to improve the current system in regard to the Government's claim filing procedure?

10. In your opinion, does temporary storage in route result in a noticeably higher incidence of claims on a PCS move?

11. What is your best advice to officers on how to limit losses on a PCS move?

12. For losses on PCS moves, what type of coverage does an officer have on a: Renter's policy? Homeowner's policy?

13. How does the coverage vary between domestic and overseas damage?

14. Is there any special type of insurance product available from USAA/AFI just for PCS moves?

15. Does USAA/AFI keep statistics on total payments made for losses on PCS moves? If so, can they be provided for this survey?

16. Is the level of losses on PCS moves an issue or concern at USAA/AFI?

3. Results of Responses

USAA's responses are summarized below for questions one through 11. The full text of USAA's responses is provided

in Appendix C. Armed Forces Insurance did not respond to the questionnaire.

a. Question 1 and 2

USAA indicated that customers do not take out replacement cost coverage prior to a move because 90% of the renter's policies in place already carry replacement cost coverage. They also see no trend in customers taking out coverage prior to a PCS move.

b. Question 3

USAA indicated that the biggest problem they encounter on PCS claims is that the Government tells personnel they have 2 years to file a claim and this results in loss of claim information and delays.

c. Question 4 and 5

USAA indicated that it does attempt to claim against the Government and carriers for payments made on PCS claims. In their view, if a customer has a policy in place, they are bound to pay on the policy.

d. Question 6 and 7

USAA does not consider the claim process to be slanted in favor of the officer, and incidence of fraud is not any higher than for other types of claims.

e. Question 8, 9 and 10

USAA sees failure of the Government to tell personnel to file against private insurance quickly as the

major problem with military claims. Correcting this would be a great improvement. USAA does not consider temporary storage to be a factor in level of claims.

f. Question 11

USAA's best advice to personnel to limit claims on PCS moves is to buy extra insurance from the carrier, do not pack jewelry, do not get rushed by mover, and carefully check the inventory at pick up and delivery.

4. Conclusions form Responses

Based on USAA's responses, the best advice to personnel to avoid claims and limit losses on PCS moves includes:

- Buy extra insurance from carrier to motivate him to limit damage.
- Do not pack jewelry.
- Do not get rushed by mover.
- Make sure to carefully check the inventory on pick up and delivery.
- File claim quickly to avoid documentation problems.

G. SUMMARY

This chapter has established that the use of Option 1 and Option 2 coverage is rare for the sample officer group. It has highlighted the views of the various participants as to the fairness of the existing claim system, and shown that most officers are actually satisfied with the current claim system.

In addition, this chapter provided each of the claim process participant's recommendations of actions military personnel can take to limit claims on PCS moves. It should be noted that both the PPO personnel and USAA stated that taking out insurance with the carrier motivated the carrier to be more careful with the shipment.

Chapter V uses a sample set of completed household goods claims to establish the profile of types of loss and damage on actual PCS moves. This profile data is used to compare the relative costs and savings from using the various options presented in Chapter III.

V. QUANTITATIVE ANALYSIS

A. INTRODUCTION

This chapter presents the quantitative analysis of the 1992 completed claim data.

The sample data was collected by the author through a review of the completed personal property claims on file in the base legal office at the Naval Postgraduate School, Monterey, California. Data collection began on 19 August 1993 and was completed on 24 August 1993. Figure 2 shows the specific data elements selected for use in the analysis. Sources of the specific data elements included:

- Claim ID - GBL Number; DD1840 block 7.
- Total amount of claim; DD1842 block 9.
- Amount of claim designated "missing"; DD1844 block 7.
- Amount of claim due to damage only; DD1844 block 11a.
- Amount of claim requiring replacement due to damage or loss; DD1844 block 11b.
- Amount of claim paid by personal private insurance; DD1844 block 26 and comments, insurance company letter in file.
- Weight of shipment; DD1840 block 4 or DD1299 block 7 or SF1203A block 28.
- Location from where move was initiated; DD1840 block 5.
- Amount of claim paid by Navy using depreciation method; DD1842 block 20.
- Amount of claim not reimbursed to member: DD1842 block 9 minus DD1842 block 20.

DATA COLLECTION SHEET

DATE DATA COLLECTED: _____

PAGE NO: _____

CLAIM ID - GBL NUMBER					
TOTAL AMOUNT OF CLAIM					
AMOUNT OF CLAIM DESIGNATED "MISSING"					
AMOUNT OF CLAIM DUE TO DAMAGE ONLY					
AMOUNT OF CLAIM DUE TO REPLACEMENT COST					
AMOUNT OF CLAIM PAID BY PRIVATE INSURANCE					
WEIGHT OF SHIPMENT					
LOCATION FROM WHERE MOVE WAS INITIATED					
AMOUNT OF CLAIM PAID BY MILITARY USING DEPRECIATION METHOD					
AMOUNT OF CLAIM NOT REIMBURSED TO MEMBER					

Figure 2: Claim Data Collection Sheet

Various statistical (MINITAB) and spreadsheet (LOTUS 123) manipulations were accomplished to establish probability of claim occurrence and cost/benefit analysis of various coverage options using the sample data.

The characteristics of the population and sample data set included:

- Total population of Naval officers reporting to the Naval Postgraduate School in calendar year 1992 : 601 [Ref. 16].
- Total claims filed by the population with PPO in calendar year 1992 for household goods moves: 283 [Ref. 1].
- Total of 283 claims filed with PPO that were over \$2,000 threshold for local processing: 25 [Ref. 1].
- Total of 283 claims filed with PPO that were forwarded for processing by the local legal office: 258 [Ref. 1].
- Total of 258 claims processed by the legal office which were still in some aspect uncompleted: 82.
- Total of 258 claims processed by the legal office which were completed in all respects and reviewed for this thesis: 176 (126 domestic shipments, 50 overseas shipments). This 176 is the thesis claim sample set.

More detailed aspects of the sample data are discussed in the following sections.

B. CLAIM PROBABILITIES

1. Overall Claim Probabilities

As described in Chapter IV, based on the results of the officer survey, the probability of submitting any type of claim for a shipment is .53, and the probability of submitting a claim with the Government is .48. This compares with a probability of submitting a claim with the Government of .47 (283/601) observed in the claim logs in the PPO [Ref. 1].

These probabilities are for all claims, including claims over \$2,000 which are not processed at the Naval Postgraduate School. Because the claim data is limited to locally processed claims under \$2,000, a brief discussion of the claims over \$2,000 is provided for completeness.

2. Probability of a Claim over \$2,000

The claim logs in the PPO show that 25 of the 283 logged claims were sent to Naval Station Treasure Island for processing. In the course of reviewing the completed claim data set, the author found seven additional claims which, because of partial private insurance payments, also exceeded the \$2000 claim threshold.

Therefore, although the claim logs indicate a probability of submitting a government claim over \$2,000 of .04 (25/601) for the population, the sample data indicates that the number of claims over \$2,000 was as high as 32 for the population, resulting in a slightly higher probability of .05 for claims over \$2,000. This implies that more than five percent of the officer population will experience a claim over \$2,000 on a household goods shipment.

3. Significance of Claims Over \$2,000

Although the claim logs in the PPO did not provide the amount of the claim ultimately paid by the Government, the initial amount of the claim is recorded. This set of claim data had a mean of \$3,267, standard deviation of \$1,848 and median value of \$2,588.

Given that the mean value of the amount claimed for the locally processed claims (presented in the next section) is \$714, the inclusion of the data for claims over \$2,000 would tend to increase the mean claim amount to \$1,032, with

a median of \$576. However, since the profile and ultimate settlement amount of these claims is not readily available, the general assumption that the true mean claim value is higher than the claim value exhibited by the sample claim set is noted as a limitation of the research.

C. PROFILE OF DAMAGE/LOSS CLAIMS

1. Overall Damage/Loss Profile

LOTUS 123 was used to calculate the statistical summary for all sample claim data (n = 176) provided below in Table 5.1.

TABLE 5.1
OVERALL DAMAGE/LOSS PROFILE FOR SAMPLE DATA
(U.S. DOLLARS)

	Total Claim	Missing Items	Damage Only	Requires Replacmnt
Total	125,737	37,213	52,327	73,218
Mean	714	211	297	416
Std Dev	1,019	934	391	947
Median	473	0	152	195
Min Value	6	0	0	0
Max Value	11,161	11,161	2,462	11,161

This table shows that the mean claim is \$714 for locally processed claims. The large standard deviation indicates that the claim amounts vary widely. This table also

indicates that, on average, missing items tend to be less of a problem than damage.

2. Domestic Damage/Loss Profile

LOTUS 123 was used to calculate the statistical summary for domestic shipment sample claim data (n = 126) provided below in Table 5.2.

TABLE 5.2
DOMESTIC SHIPMENT DAMAGE/LOSS PROFILE FOR SAMPLE DATA
(U.S. DOLLARS)

	Total Claim	Missing Items	Damage Only	Requires Replacmnt
Total	90,617	31,807	32,454	57,969
Mean	719	252	258	460
Std Dev	1,139	1,074	301	1,099
Min Value	6	0	0	0
Max Value	11,161	11,161	1,638	11,161

The data indicate that the mean claim for domestic shipments is \$719, which is virtually the same as the mean claim for overall shipments of \$714. The domestic claim data also does not show a significant difference in the mean value for missing or damaged items when compared with the overall data.

3. Overseas Damage/Loss Profile

LOTUS 123 was used to calculate the statistical summary for overseas shipment sample claim data (n = 50) provided below in Table 5.3.

TABLE 5.3**OVERSEAS SHIPMENT DAMAGE/LOSS PROFILE FOR SAMPLE DATA****(U.S. DOLLARS)**

	Total Claim	Missing Items	Damage Only	Requires Replacmnt
Total	35,120	5,406	19,873	15,249
Mean	702	108	397	305
Std Dev	617	387	543	310
Min Value	38	0	0	0
Max Value	2,784	2,387	2,462	1,279

The data indicate that the mean claim for overseas shipments is \$702, which is slightly lower than the mean claim for overall shipments of \$714. The overseas claim data does show a greater difference in the mean value between missing and damaged items. The data implies that, on average, damage is a much larger part of a claim than missing items for overseas shipments.

D. ANALYSIS OF EFFECTIVENESS OF GOVERNMENT COVERAGE**1. Overall Effectiveness of Government Coverage**

The sample data indicate that the probability of basic Government coverage covering 100 percent of the damage/loss on a shipment where a claim was filed was .13 (22/176). Using the probability of submitting a claim with the Government of .47 observed in the PPO claim logs, and the probability of basic Government coverage covering 100 percent of the

damage/loss of .13 described above, the probability of personnel having a move where 100 percent of the damage/loss is covered by the basic Government coverage is .06 (Calculated using the general multiplication rule of probability, .47 times .13).

The profile of the Government payments and the uncompensated loss for the sample data (n = 176) is provided in Table 5.4.

TABLE 5.4
OVERALL GOVERNMENT PAYMENT AND UNCOMPENSATED LOSS PROFILE
(U.S DOLLARS)

	Government Payment	Uncompensated Loss
Total Payments	78,029	20,858
Mean Payment	443	119
Std Deviation	359	184
Minimum Value	6	0
Maximum Value	1,708	1,056

The data indicate that the average payment the Government made on a claim was \$443, and that the average uncompensated loss after the Government payment was \$119. The data show that overall the basic Government coverage pays 62 percent (\$78,029/\$125,737) of the total amount claimed, and that the overall percentage of uncompensated losses that are due to the Allowance List - Depreciation Guide (ALDG) is 17 percent (\$20,858/\$135,737).

2. Domestic Effectiveness of Government Coverage

The sample data indicate that the probability of basic Government coverage covering 100 percent of the damage/loss on a domestic shipment where a claim was filed was .11 (14/126). The domestic profile of the Government payments and the uncompensated loss for the sample data (n = 126) is provided in Table 5.5.

TABLE 5.5

DOMESTIC GOVERNMENT PAYMENT AND UNCOMPENSATED LOSS PROFILE
(U.S DOLLARS)

	Government Payment	Uncompensated Loss
Total Payments	55,266	13,323
Mean Payment	439	106
Std Deviation	359	155
Minimum Value	6	0
Maximum Value	1,616	854

The data indicate that, on average, there is no significant difference between the level of payment and uncompensated loss for domestic shipment claims and overall claims.

3. Overseas Effectiveness of Government Coverage

The sample data indicate that the probability of basic Government coverage covering 100 percent of the damage/loss on an overseas shipment where a claim was filed was .16 (8/50). The overseas profile of the Government payments and the

uncompensated loss for the sample data (n = 50) is provided in Table 5.6.

TABLE 5.6
OVERSEAS GOVERNMENT PAYMENT AND UNCOMPENSATED LOSS PROFILE
(U.S DOLLARS)

	Government Payment	Uncompensated Loss
Total Payments	22,763	7,535
Mean Payment	455	151
Std Deviation	358	239
Minimum Value	6	0
Maximum Value	1,708	1,056

The data indicate that, on average, although there is a higher probability of receiving 100 percent reimbursement by Government coverage on an overseas claim, the level of uncompensated loss tends to be higher than for overall claims.

E. ANALYSIS OF COST/BENEFIT OF OPTION 2

1. Introduction

LOTUS 123 was used to calculate the cost of Option 2 coverage for each shipment. First, an Option 2 charge weight was generated for each record by replacing all weights below 6000 pounds with the minimum charge value of 6000 pounds (the minimum weight charge for Option 2 coverage). The Option 2 charge weights were then multiplied by \$3.50 per pound and divided by 100 to establish the units of \$100 valuation.

These units were multiplied by the set charge of 85 cents per \$100 valuation to arrive at the total cost of Option 2 coverage. The total charge for Option 2 was reduced by \$80 (Government's share) to arrive at the total cost of Option 2 to the owner of the shipment. This value was compared to the uncompensated loss data field of each record to identify the number of records where the uncompensated loss was more than the cost of Option 2 to the owner.

Since Option 2 is currently only available for domestic shipments, the domestic shipment evaluation is most relevant to the scope of this thesis. However, since the MTMC is considering making Option 2 available for overseas shipments, overseas shipments were also evaluated [Ref. 25].

The following sections provide a summary of the comparison of the cost of Option 2 to the owner and uncompensated loss.

2. Overall

Overall, the probability of an uncompensated loss being greater than the cost of Option 2 for personnel who filed claims was .26 (46/176). This implies that 26 percent of those personnel who file a claim would benefit to some degree from purchasing Option 2 because the cost of Option 2 would be less than the amount of loss/damage covered.

Using the probability of submitting a claim with the Government of .47 observed in the PPO claim logs, and the

probability of uncompensated loss being greater than the cost of Option 2 of .26, the probability of personnel having a move where the cost of Option 2 is less than the uncompensated loss is .12 (Calculated using the general multiplication rule of probability, .47 times .26).

Table 5.7 provides an overall profile of the cost of Option 2 to uncompensated loss for the sample data (n = 176).

TABLE 5.7
OVERALL UNCOMPENSATED LOSS AND COST OF OPTION 2 PROFILE
(U.S. DOLLARS)

	Option 2 Cost	Uncompensated Loss
Total	27,106	20,858
Mean	154	119
Std Deviation	69	184
Minimum Value	99	0
Maximum Value	426	1,056

The data indicate that, on average, the cost of purchasing Option 2 is greater than the uncompensated loss. However, as the previous discussion indicated, at least 12 percent of the population can expect the cost of Option 2 to be less than the uncompensated loss it covers for the purchaser.

Because the PPO claim log data did not clearly distinguish the origin of each shipment, the population statistic for domestic and overseas claims could not be

calculated for the next two sections. However, as will be seen in general the data support that personnel making overseas shipments could benefit more from purchasing Option 2 if it were made available.

3. Domestic

For domestic shipments, the probability of the uncompensated loss being greater than the cost of Option 2 for personnel who filed claims was .23 (29/126). Table 5.8 provides a domestic shipment profile of the cost of Option 2 to uncompensated loss for the sample data (n = 126).

TABLE 5.8

DOMESTIC UNCOMPENSATED LOSS AND COST OF OPTION 2 PROFILE
(U.S. DOLLARS)

	Option 2 Cost	Uncompensated Loss
Total	20,010	13,323
Mean	159	106
Std Deviation	72	155
Minimum Value	99	0
Maximum Value	426	854

4. Overseas

For overseas shipments, the probability of the uncompensated loss being greater than the cost of Option 2 for personnel who filed claims was .34 (17/50). Table 5.9 provides an overseas shipment profile of the cost of Option 2 to uncompensated loss for the sample data (n = 50).

TABLE 5.9
OVERSEAS UNCOMPENSATED LOSS AND COST OF OPTION 2 PROFILE
(U.S. DOLLARS)

	Option 2 Cost	Uncompensated Loss
Total	7,096	7,535
Mean	142	151
Std Deviation	58	239
Minimum Value	99	0
Maximum Value	359	1,056

The overseas data imply that Option 2, on average, would cost personnel less than the level of uncompensated losses it covers. However, as previously stated, this coverage is not currently available.

F. ANALYSIS OF COMMERCIAL INSURANCE COVERAGE

1. Introduction

The evaluation of insurance data is constrained by several factors. First of all, claims that were filed directly with an insurance company were not recorded in the claim data set. The survey data in Chapter IV indicated that as many as five percent of claims could have been directly filed with private insurers. Second, usually only "missing" items are covered by private insurance companies, subject to a deductible.

Using a \$100 deductible, the data designated as "missing" on the sample claims was examined by the author for total values over \$100. If the total "missing" value was over \$100, there could have been some potential savings from private insurance coverage.

The following sections provide a summary of the profile of "missing" items and the amounts paid by private insurance for the sample data set. Also included are the observed probabilities that the "missing" items amounts exceed the \$100 deductible for each category of shipment.

2. Overall

Overall, the probability that the "missing" items exceed the \$100 deductible for personnel who filed a claim is .10 (19/176). Using the probability of submitting a claim with the Government of .47 observed in the PPO claim logs, and the probability that the "missing" items exceed the \$100 deductible for personnel who filed a claim of .10, the probability of personnel having a move where they would be able to claim against a commercial insurer if all personnel were covered by commercial insurance is .05 (Calculated using the general multiplication rule of probability, .47 times .10).

Table 5.10 provides a summary of the overall profile of "missing" items and the amounts paid by private insurance for the sample data set ($n = 176$).

TABLE 5.10
OVERALL MISSING ITEMS AND INSURANCE PAYMENT PROFILE
(U.S. DOLLARS)

	Missing Items	Paid by Insurance
Total	37,213	27,408
Mean	211	156
Std Deviation	934	888
Minimum Value	0	0
Maximum Value	11,161	10,661

Although five percent of the officer population seems small, it is significant that 74 percent (\$27,408/\$37,213) of the total for items designated "missing" on claims was paid by private insurance. Considering that this is coverage which is not specifically purchased for a PCS move, the advantage of the coverage is clearly evident.

3. Domestic

For domestic shipments, the probability that the "missing" items exceed the \$100 deductible on a filed claim is .11 (14/126). Table 5.11 provides a summary of the domestic shipment profile of total "missing" items and the amounts paid by private insurance for the sample data set (n = 126).

TABLE 5.11

DOMESTIC MISSING ITEMS AND INSURANCE PAYMENT PROFILE

(U.S. DOLLARS)

	Missing Items	Paid by Insurance
Total	31,807	22,597
Mean	252	179
Std Deviation	1,074	1,023
Minimum Value	0	0
Maximum Value	11,161	10,661

4. Overseas

For overseas shipments, the probability that the "missing" items exceed the \$100 deductible on a filed claim is .10 (5/50). Table 5.12 provides a summary of the overseas shipment profile of "missing" items and the amounts paid by private insurance for the sample data set (n = 50).

TABLE 5.12

OVERSEAS MISSING ITEMS AND INSURANCE PAYMENT PROFILE

(U.S. DOLLARS)

	Missing Items	Paid by Insurance
Total	5,406	4,811
Mean	108	96
Std Deviation	387	369
Minimum Value	0	0
Maximum Value	2,387	2,137

The data for overseas shipments indicates that 89 percent (\$4,811/\$5,406) of the total "missing" items were paid by private insurance. The value of this coverage for overseas shipments is clear.

G. HIGHLIGHTS OF EFFECTIVENESS SECTIONS D,E AND F

To review the highlights of the previous three sections dealing with the effectiveness of each coverage:

- Basic Government coverage will cover 100 percent of losses for six percent of moves.
- Basic Government coverage covers 62% of the total dollar amount of claims filed.
- The ALDG guidelines result in uncompensated losses equal to 17% of the total dollar amount of claims filed.
- If all officers elected to purchase Option 2 coverage, only 12 percent of the officers would experience losses larger than the amount they paid for the coverage.
- If all officers were covered by a commercial insurance policy during a move, only five percent would incur a loss large enough to file against the insurer.
- Overall, commercial insurance paid for 74 percent of the total dollar value listed on claims as "missing".
- For overseas claims, commercial insurance paid 89 percent of the total dollar value listed on the claims as "missing".

The next three sections explore correlations between various variables in order to identify predictors that personnel could use to decide what options to elect prior to a PCS move.

H. CORRELATION OF SHIPMENT WEIGHT TO UNCOMPENSATED LOSS

In an effort to establish the influence of the weight of a shipment to the resulting uncompensated loss, MINITAB was used to test the correlation of the two variables. The results, presented in Appendix D, produced a correlation coefficient value of 0.050 for domestic shipments and 0.108 for overseas shipments. These values indicate that there is a very weak correlation between the weight of a shipment and the resulting level of uncompensated loss for shipments processed under basic government coverage.

I. CORRELATION OF DISTANCE OF SHIPMENT TO CLAIM AMOUNT

In order to explore other factors which may contribute to the overall amount of claims, averages of claim amounts were calculated for shipments originating at major military bases in Hawaii, Japan, Italy, Washington, South Carolina, Florida and Maryland. The locations were selected at random from all the available locations in the claim data set to give a general dispersion of distances from Monterey, California. The criteria for selection was a large number of claims for the particular site in order to make the sample more representative.

As indicated below in Table 5.13, there appears to be a general relationship between distance and domestic and overseas shipments. It appears that, in general, the average claim increases as distance increases domestically and that

overseas shipments have a higher average claim than domestic shipments.

TABLE 5.13
EFFECT OF DISTANCE ON CLAIM AMOUNT
(U.S. DOLLARS)

Origin of the Shipment	Average Amount of Claim	Distance (miles)
Washington (Seattle)	\$243	918 *
Hawaii (Honolulu) OS	\$660	2,100 **
Florida (Jacksonville)	\$576	2,701 *
Sth Carolina (Charleston)	\$518	2,723 *
Maryland (Annapolis)	\$563	2,945 *
Japan (Yokosuka) OS	\$698	5,250 **
Italy (Naples) OS	\$721	7,945 **

* Source: Official Table of Distances, NAVSO P 2471.

** Source: Estimates from Collier's World Map.

OS Overseas Shipment.

J. CORRELATION OF TEMPORARY STORAGE TO CLAIM AMOUNT

Although several of the participants in the claim process expressed in their responses to interviews in Chapter IV that temporary storage contributed to higher claim amounts, this attribute could not be tested with the available claim data. Most of the completed claim files did not clearly indicate if the shipment had been stored at origin or destination.

K. SUMMARY

This chapter presented the quantitative analysis of the completed claim data reviewed at the Naval Postgraduate School legal office. The overall profile of claims was established, revealing that most of the claim amount is a result of damage, not missing items. The data established that basic government coverage covers all losses on only six percent of all claims but a large proportion of the losses (62%) on overall claims. The data established that 12 percent of officers could benefit from purchasing Option 2 coverage and that five percent of officers could benefit from private insurance coverage already in place at the time of the PCS move.

This chapter also established that, in general, there is a relationship between distance of domestic shipment and average amount of claim, and that average claims for overseas shipments are greater than average claims for domestic shipments. In addition, no correlation was found between the weight of a shipment and the ultimate level of uncompensated loss experienced for shipments under basic government coverage.

The final chapter of this thesis provides a summary of the research, the conclusions of the research and recommendations for additional research.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. SUMMARY

This thesis began with an account of a typical household goods shipment for military personnel executing a PCS move. The account highlighted the order of events in a typical shipment, and provided two hypothetical endings; a move where no damage or loss occurred, and a move where damage or loss required the submission of a claim. The stated purpose of the thesis was to explore the actions that military personnel could take prior to a PCS move to limit uncompensated loss or damage during the move, assessing the costs and benefits of each alternative.

A review of the major participants in the military household goods shipment process was provided in order to gain insight into the role each participant plays in the claim process. The important role of the PPO and the base legal office in the claim processing area was highlighted.

The thesis concentrated on four options available to limit uncompensated losses on a household goods shipment. These included basic Government coverage, increased valuation (Option 1), replacement cost coverage (Option 2) and commercial insurance coverage. Each of the options was discussed, and their use was detailed through examples. In

addition, the cost and potential savings from each option was highlighted.

In order to gather subjective information in support of the thesis, a survey, interviews and questionnaires, were used. The information gathered provided insight into the frequency of use of the various options as well as the participant's recommendations of methods to limit damage and losses on household goods shipments.

A more quantitative approach was used to analyze the data collected from completed 1992 travel claims on file in the base legal office at the Naval Postgraduate School. The probabilities for submission of claims, 100 percent effectiveness of basic Government coverage, uncompensated loss exceeding cost of Option 2 coverage and frequency of use of commercial insurance coverage were established. In addition, the correlation of shipment weight to uncompensated loss and of distance of shipment to average claim were tested.

Based on the information gathered through the qualitative and quantitative research, the author formulated the conclusions presented in the following section.

B. CONCLUSIONS

The conclusions of this research are addressed in the context of answering the subsidiary research questions in order to arrive at the response to the primary research question.

1. Frequency of Losses and ALDG Impact

Based on the data in Chapter IV, 47 to 48 percent of officers will file a claim for loss/damage during a PCS move. However, since many officers choose not file claims, the actual frequency of loss/damage is much higher than indicated by the filed claims alone.

Based on the sample data in Chapter V, the overall percentage of uncompensated losses that are due to the Allowance List - Depreciation Guide (ALDG) is 17 percent.

2. Use of Coverage Options

Based on the qualitative and quantitative data in Chapters IV and V, the author concludes that the use of Option 1 and Option 2 are rare. The survey results indicate that none of the sample group had purchased additional coverage from the carrier. The data imply that none of the losses were covered by commercial carrier provided replacement cost coverage.

3. Familiarity with Option 2

The results of the officer survey indicate that only 51% of the officers were familiar with additional replacement cost coverage, although it is a mandatory counseling item before each PCS move by the PPO staff. These results imply that the counseling function may be inadequate at some locations.

4. Value of Commercial Insurance Riders

The survey data in Chapter IV indicates that 60 percent of the officers had commercial renter's or homeowner's insurance in place at the time of the PCS move. Overall, commercial insurance payments covered 22 percent of the total amount of claims filed. More significant is that commercial insurance policies covered 74 percent of "missing" items overall and 89 percent of all "missing" items for overseas shipments. This implies that commercial insurance coverage may provide substantial loss savings to some officers without specifically electing the coverage for a PCS move.

5. Satisfaction with Current Coverage Options

The survey data in Chapter IV also indicates that 68 percent of the sample group were satisfied with the current financial protection from losses provided on PCS moves. This implies that there is no overwhelming customer dissatisfaction to compel the MTMC to make changes to the current system.

6. Suggestions to Limit Losses

The interviews with the PPO, legal office and local commercial carriers, and the questionnaire response provided by USAA, highlighted several recommendations to limit loss/damage on PCS moves. These included:

- Avoid temporary storage enroute, meet the shipment.
- Avoid summer moves due to high volume in industry.
- Get good packing and accurate inventory, do not rush.

- Take out added coverage for expensive items.
- Work with packer and mover, be nice to them.
- Purchasing Option 2 may result in less claims.
- Make sure items are clean, contest comments on inventory.
- Hand carry valuables, list high value items clearly on inventory.
- Insist on correct packing, use PPO inspectors if required.
- Dismantle items yourself and hand carry hardware to reassemble at destination.
- File claim quickly to avoid documentation problems.

7. Final Conclusion of Research

This research focused on the subjective opinions of the various participants in the household goods claim process and a quantitative analysis using expected values based on averages derived from actual claim data. The research did not focus on the risk of damage inherent to a household good shipment or factors that predict the level of risk for different moves.

Based on this research, the researcher concludes that the basic Government coverage is adequate for the average household goods shipment which contains no items that exceed the ALDG limits. A key factor to consider in electing additional coverage prior to a move is what the ALDG limits are for the specific items in the shipment.

The data in Chapter V implies that if all officers elected Option 2, only 12 percent would experience a claim amount higher than what they paid for the extra coverage. However, for shipments where items exceed the ALDG limits or the value of the shipment exceed the Government liability ceiling of \$40,000, Option 2 may offer real potential benefits.

Commercial coverage by a private insurance firm, carried as part of a renter's or homeowner's policy, can increase the level of loss coverage under basic Government coverage at no additional cost. Personnel should refrain from canceling private insurance policies while their household goods are in transit in order to take advantage of this option.

The qualitative research suggestions provide additional recommendations that may tend to make basic government coverage even more cost effective. Of special note is that the PPO staff and USAA both indicated that Option 2 coverage motivated the commercial carrier to provide more careful service because they bore the full liability for loss and damage.

C. RECOMMENDATION FOR ADDITIONAL RESEARCH

1. Underreporting of Loss and Damage

In the course of doing this research, it became obvious that the actual level of damage and loss that occurs

on household good shipments is underreported to the Military Traffic Management Command. First of all, the officer survey in Chapter IV revealed that although 85 percent of the population experienced some form of loss/damage during a PCS move, only 53 percent of the population filed a claim. The survey also revealed that five percent of the officers filed claims directly with a commercial insurance company. Since the only claims reported to MTMC by the PPO are claims filed with the PPO, claims filed directly with commercial insurance firms also tend to understate the true total of loss/damage on PCS moves reported to MTMC.

An interesting area of additional research would be to explore the true total of loss/damage for household goods shipments, including unreported losses and losses paid by commercial insurance.

2. Exploration of Risk Factors that Influence Losses

Another interesting area of research would be to explore the risk factors that influence the level of losses on a household goods shipment. Such items as selection of specific moving companies, days in temporary storage, rank of personnel moving and even service affiliation of personnel could have some correlation to actual loss experience.

The data in Chapter V implies that if all officers elected Option 2, only 12 percent would experience a claim amount higher than what they paid for the extra coverage. However, for shipments where items exceed the ALDG limits or the value of the shipment exceed the Government liability ceiling of \$40,000, Option 2 may offer real potential benefits.

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APPENDIX A

Naval Postgraduate School
Personal Property Branch
Claims Processing

Herrman Hall, Rm E107-A
(408) 656-2151
August 20, 1993

NAVPGSCOL PERSONAL PROPERTY MEMORANDUM

Subj: PROCESSING OF LOSS OR DAMAGE CLAIMS

Encl: (1) DD 1842, DD 1843, DD 1844 Completion Procedures

1. The following information is provided so that you can complete your claim with a minimum of effort. Experience has shown that delays in paperwork can usually be attributed to incomplete paperwork by the member. Please READ AND FOLLOW these instructions when filing YOUR claim. It is recognized that you may not be familiar with the various forms which are required; therefore, step by step procedures are provided in enclosure (1).

2. TIME LIMITS. The carrier and the government must be notified of all loss/damage within 75 days of delivery. Failure to do so will result in a deduction from the government settlement of the amount which would have been recovered from the carrier if timely notice had been provided. The completed claim must be turned in to the government claims office within two years after delivery of your goods.

3. The following documents should already be in your possession and appropriate copies must accompany your claim.

- a. DD 619-1 Statement of Accessorial Service performed and DD 1840/1840R.
- b. DD 1299 Application for Shipment
- c. Change of Station (PCS) Orders
- d. SF 1203 Government Bill of Lading (GBL)
- e. Inventory of Personal Property

4. The following documents will be provided by the Personal Property Office and must be correctly completed by the member.

- a. DD 1842 - Claim for Personal Property Against the United States Government.
- b. DD 1843 - Demand on Carrier/Contractor
- c. DD 1844 - Schedule of Property

5. The following documents, when applicable, must be provided by the member.

- a. Estimates of repairs of damage
- b. Proof of replacement costs

6. REPAIR ESTIMATES. It is the member's responsibility to obtain repair estimates. The telephone directory yellow pages are a recommended source for repair facilities. The repair

facility **MUST** provide a written estimate itemizing the exact extent of damages and repairs, e.g. "End table, top chipped and gouged, burn in, steam out, refinish entire top, \$25.00". When new parts are required, the estimate must include the price of each part. If upholstering is required, the estimate must include the number of yards required, the cost per yard, and labor costs. The repair facility should also indicate that the replacement material is the same quality as the old material. If there is a charge for the estimate, the charge may be included on your claim provided you have the receipt showing that payment was actually made. The estimate should state that the amount of the estimate fee paid will **NOT** be deducted from the cost of repairs if the work is accomplished by the estimator. (Acceptable wording: Nonrefundable or Nondeductable.)

7. **PICKUP AND DELIVERY CHARGES.** May be claimed only after you have proof of work done. If you have the repairs done after filing your claim, you can then file a supplemental claim for the Pickup and Delivery Charges.

8. **REPLACEMENT COSTS.** You will be required to provide a written price quotation to substantiate the cost of all replacement items. Pages, pictures, and prices from catalogs such as Sears, Penney's, Navy Exchange, etc., qualify as written price quotations. If you are unable to find the cost of a replacement item in the local area, you may submit at least one estimate of value from a competent appraiser, dealer or other person qualified to render a knowledgeable estimate of the replacement value at time of loss or damage. The Claims Investigating Officer retains the right to question the competence of the appraiser.

a. **TURN-IN FOR SALVAGE.** Be aware that the Government **MAY** require you to turn in a particular item for salvage prior to your being paid (for items you are replacing, **NOT** repairing). It is important for you to keep any damaged items that you are claiming replacement costs on. Claimants must retain such items for a period of 90 days after receiving payment from the government. Failure to comply with these requirements will be cause for collection from claimants in the amount that could have been collected from carriers had the items been retained.

9. **COMMERCIAL INSURANCE.** If you have commercially insured the lost or damaged items, it is your responsibility to file a claim under the terms of your policy. Personal Property claims for losses/damages covered by private insurance may not be paid until after the private insurance matter has been resolved. You must notify the private insurance company to forward all correspondence to you via the Claims Investigating Officer, Personal Property Branch, NAVPGSCOL. Upon proof that you have filed against your insurance company, your claim will be processed. Any settlement by the government will not include those items covered by insurance. In the event that the final insurance settlement is less than what the government would have

allowed, the Adjudicating Officer will, upon request, re-examine your claim and may allow for a supplemental payment by the government. You must provide proof of the insurance settlement to the Claims Investigating Officer. Filing a claim against both the government and an insurance company and COLLECTING FROM BOTH constitutes fraud.

10. For clarification and assistance in filing your claim, contact the Personal Property Office, Room E-107A, Herrman Hall.

11. This memorandum is an attempt to assist you in filing your claim. It is not a finished product and any constructive comments will be appreciated. Changes which may be made to this memo as a result of your comments may make things easier for the next individual who files a claim.

SCHEDULE OF PROPERTY AND CLAIM ANALYSIS CHART

ORIGINAL ONLY IS REQUIRED. TYPE OR PRINT IN BLACK INK.

BLOCK 1. Name of Claimant	Last Name, Middle Initial
BLOCK 2. Claimant's Insurance Co.	If claimant has private insurance, the name and the policy number are entered.
BLOCK 3. Date of Pickup	Date property was picked up at shipment origin from claimant or claimant's agent.
BLOCK 4. Date of Delivery	Delivery date of property to claimant or claimant's agent.
BLOCK 5. Line number	This should reflect number of line items claimed, numbering in sequence (1,2,3, etc).
BLOCK 6. Quantity	Number of items claimed per line number.
BLOCK 7. Lost or Damaged Item	Describe the item fully, including brand name, model and size. List the nature and extent of damage. If missing, state (MISSING). Do not write stolen, ripped off or pirated.
BLOCK 8. Inventory Number	Enter the number immediately to the left of the item where it appears on your inventory sheet. All items must have an inventory number. DO NOT WRITE UNKNOWN.
BLOCK 9. Original Cost	Post the price you actually paid for the item, unless the item is an heirloom or antique, then give actual appraised value. If no appraisal is available, then give your best estimate.
BLOCK 10. MO/YR of Purchase	Place the month (if known) and year (absolutely required) the article came into your possession.

BLOCK 11a. Repair Cost

Post repair costs in accordance with the guidance provided in paragraph 6 of the cover memorandum. DO NOT ROUND FIGURES.

BLOCK 11b. Replacement Cost

Post replacement costs in accordance with paragraph 7, of the cover memorandum. DO NOT ROUND OFF FIGURES.

BLOCK 12. Remarks

Post additional information concerning claimed items if necessary.

BLOCK 13. TOTAL

Enter the total amount claimed.

Note 1 - Sets, Matched pairs, etc. If an item of a set is lost or damaged beyond economical repair, is determined to be irreplaceable, and the loss/damage of the one item seriously affects the total value or use of the set, you may file for replacement of the entire set. However, if your claim for replacement of the entire set is approved, the remaining items in the original set will have to be held by the claimant for salvage in accordance with cover memorandum, paragraph 8a.

1 NAME OF CLAIMANT (Last, first, middle initial)		2 POLICY NO		3 PRE UP DATE (MM/DD/YY)		4 DELIVERY DATE (MM/DD/YY)		5 ORIGIN (CONTRACTOR)		6 LOSS (CONTRACTOR)		7 LOSS NUMBER		8 LOSS NUMBER		9 LOSS NUMBER	
BROWN DONALD G.				20 MAR 92													
1 CLAIMANT'S INSURANCE COMPANY (if applicable)		2 POLICY NO		3 PRE UP DATE (MM/DD/YY)		4 DELIVERY DATE (MM/DD/YY)		5 ORIGIN (CONTRACTOR)		6 LOSS (CONTRACTOR)		7 LOSS NUMBER		8 LOSS NUMBER		9 LOSS NUMBER	
USAA 0189976				27 APR 92													
10 CLAIMANT'S LOSS (Describe the item fully, including brand name, model and size, list the nature and extent of damage if missing, state "MISSING")		11 ORIGINAL COST		12 AMOUNT CLAIMED		13 AMOUNT ALLOWED		14 EXEMPTIONS (MM/DD/YY)		15 EXEMPTIONS (MM/DD/YY)		16 EXEMPTIONS (MM/DD/YY)		17 EXEMPTIONS (MM/DD/YY)		18 EXEMPTIONS (MM/DD/YY)	
		19 AMOUNT PAID		20 AMOUNT PAID		21 AMOUNT PAID		22 AMOUNT PAID		23 AMOUNT PAID		24 AMOUNT PAID		25 AMOUNT PAID		26 AMOUNT PAID	
1	Waterford crystal (Limmore) goblet - stem broken	49.00	49.00	49.00	49.00	49.00	49.00										
2	Cushions to 6' sofa - water damaged, torn, soiled. 3" jagged tear, top of back.	1,200	1,000	1,000	1,000	1,000	1,000										
3	VCR Sony - missing from shipment	475.00	2,500	2,500	2,500	2,500	2,500										
	Repair estimate fee		35.00	35.00	35.00	35.00	35.00										
12 REMARKS		13 TOTAL AMOUNT CLAIMED	14 TOTAL AMOUNT ALLOWED	15 TOTAL AMOUNT PAID	16 TOTAL AMOUNT PAID	17 TOTAL AMOUNT PAID	18 TOTAL AMOUNT PAID	19 TOTAL AMOUNT PAID	20 TOTAL AMOUNT PAID	21 TOTAL AMOUNT PAID	22 TOTAL AMOUNT PAID	23 TOTAL AMOUNT PAID	24 TOTAL AMOUNT PAID	25 TOTAL AMOUNT PAID	26 TOTAL AMOUNT PAID	27 TOTAL AMOUNT PAID	28 TOTAL AMOUNT PAID

CLAIM FOR LOSS OF OR DAMAGE TO PERSONAL PROPERTY INCIDENT TO SERVICE			
PART I - TO BE COMPLETED BY CLAIMANT (See reverse side for Privacy Act Statement and Instructions)			
1. NAME OF CLAIMANT (Last, First, Middle Initial) CLAIMANT, JOHN J.	2. BRANCH OF SERVICE U.S. Army	3. RANK OR GRADE E5	4. SOCIAL SECURITY NUMBER 111-22-3333
5. HOME ADDRESS (Street, City, State and Zip Code) Address where your check should be mailed		6. CURRENT MILITARY DUTY ADDRESS (if applicable) (Street, City, State and Zip Code) Current Duty Station	
7. HOME TELEPHONE NO. (include area code) (408) 384-7777	8. DUTY TELEPHONE NO. (include area code) (408) 242-7777	9. AMOUNT CLAIMED Fill In.	
10. CIRCUMSTANCES OF LOSS OR DAMAGE (Explain in detail include date, place, and all relevant facts. Use additional sheets if necessary.) Orders No: DATE and PLACE Packed: DATE and PLACE Delivered: Description of Delivery: <div style="text-align: center; padding: 10px;">IF YOU HAVE MISSING ITEMS FROM YOUR SHIPMENT, PLEASE COMPLETE THE "MISSING ITEM STATEMENT" (Available from the receptionist)</div>			
PLEASE ANSWER THE FOLLOWING QUESTIONS.			
11. DID YOU HAVE PRIVATE INSURANCE COVERING YOUR PROPERTY? (E.g., say "Yes" on a shipment or quarters claim if you had transit, renter's or homeowner's insurance, say "Yes" on a vehicle claim if you had vehicle insurance. Attach a copy of your policy.)			YES NO
12. HAVE YOU MADE A CLAIM AGAINST YOUR PRIVATE INSURER? (If "Yes," attach a copy of your correspondence. If you have insurance covering your loss, you must submit a demand before you submit a claim against the Government.)			
13. HAS A CARRIER OR WAREHOUSE FIRM INVOLVED PAID YOU OR REPAIRED ANY OF YOUR PROPERTY? (If "Yes," attach a copy of your correspondence with the carrier or warehouse firm.)			
14. DID ANY OF THE CLAIMED ITEMS BELONG TO THE GOVERNMENT OR TO SOMEONE OTHER THAN YOU OR YOUR FAMILY MEMBER? (If "Yes," indicate this on your "List of Property and Claims Analysis Chart," DD Form 1844.)			
15. WERE ANY OF THE CLAIMED ITEMS ACQUIRED OR HELD FOR SALE, OR ACQUIRED OR USED IN A PRIVATE PROFESSION OR BUSINESS? (If "Yes," indicate this on your "List of Property and Claims Analysis Chart," DD Form 1844.)			
16. UNDER PENALTY OF LAW, I DECLARE THE FOLLOWING AS PART OF SUBMITTING MY CLAIM: If any missing items for which I am claiming are recovered, I will notify the office paying the claim. (For shipment claims) Missing items were packed by the carrier; they were owned prior to shipment but not delivered at destination; after my property was packed, my agent checked all rooms in my dwelling to make sure nothing was left behind. I assign to the United States any right or interest I have against a carrier, insurer, or other person for the incident for which I am claiming. I authorize my insurance company to release information concerning my insurance coverage. I authorize the United States to withhold from my pay or accounts for any payments made to me by a carrier, insurer, or other person to the extent I am paid on this claim, and for any payment made on this claim in reliance on information which is determined to be incorrect or untrue. I have not made any other claim against the United States for the incident for which I am claiming. I understand that if any information I provide as part of my claim is false, I can be prosecuted.			
17. SIGNATURE OF CLAIMANT (or designated agent) Fill In. A representative should sign his or her own name.			18. DATE SIGNED (MMDDYY) Fill In.
PART II - CLAIMS APPROVAL (To be completed by Claims Office)			
19. PROCEDURE a. SMALL CLAIMS b. REGULAR CLAIMS		20. AMOUNT AWARDED. The claim is recognizable and reasonable under 31 U.S.C. 3721; the proper claimant is the party responsible and the loss is substantiated in accordance with applicable procedures as prescribed by the Department of Defense regulation and the following award is substantiated \$	
21. SIGNATURES (Signatures of a) CLAIMS EXAMINER and c) REQUIRED (Name, grade, title, and date)		b. DATE SIGNED (MMDDYY) c. REVIEW (Name, grade, title, and date)	
d. TYPED NAME AND GRADE		f. SIGNATURE g. PROVING AUTHORITY	
		h. DATE SIGNED (MMDDYY)	

DD Form 1842, DEC 88

Previous editions may be used until exhausted.

119-1250

DEMAND ON CARRIER / CONTRACTOR

1. TO CARRIER / CONTRACTOR			
a. COMPANY NAME AND COMPLETE ADDRESS (Include Zip Code)		b. AMOUNT OF GOVERNMENT CLAIM \$	c. GOVERNMENT BILL OF LADING NO
		d. MAC / AIRWAY BILL NO	e. CONTRACT NO
2. TO NONTEMPORARY STORAGE (NTS) WAREHOUSEMAN			
a. COMPANY NAME AND COMPLETE ADDRESS (Include Zip Code)		b. AMOUNT OF GOVERNMENT CLAIM \$	c. DATES IN NTS STORAGE (MMDDYY) (1) From (2) To
		d. ORDER NO	e. LOT NO
3. CLAIM PRESENTED IN CONJUNCTION WITH SHIPMENT OF (X all that apply)			
a. HOUSEHOLD GOODS		b. HOLD BAGGAGE	c. OTHER (Specify)
4. SHIPMENT MOVED			
a. FROM (City and State)		b. TO (City and State)	
5. SHIPMENT PACKED			
a. BY (Carrier/Contractor Name)		b. DATE (MMDDYY)	
6. SHIPMENT STORED			
a. BY (Carrier/Contractor Name)		b. FROM (MMDDYY)	c. TO (MMDDYY)
7. SHIPMENT DELIVERED			
a. BY (Carrier/Contractor Name)		b. DATE (MMDDYY)	
8. ENCLOSURES (X all that apply)			
a. DD Form 1844		d. Government Bill of Lading	
b. DD Forms 1840/1841		e. Estimates	
c. DD Form 1841		f. Other (Specify)	
9. REMARKS			
<p>When appropriate, if a reply is not received within 120 days from the date on which you receive this notice, offset action will be initiated without further notice. When appropriate, unearned freight charges will be collected without further notice.</p>			
10. SEND YOUR REPLY TO (Street, City, State and Zip Code)		11. ALL CORRESPONDENCE MUST REFERENCE	
		a. CLAIM NO	
		b. CLAIMANT NAME	
		12. MAKE YOUR CHECK PAYABLE TO Treasurer of the United States	
13. DISPATCHER			
a. SIGNATURE		b. TELEPHONE NUMBER (Include area code)	c. DATE DISPATCHED (MMDDYY)

DD Form 1843, DEC 88

Previous editions may be used until exhausted

S/N 0102-LF-006-6100

750/310

APPENDIX B



USAA Building - San Antonio Texas 78288
RENTERS PROTECTION POLICY DECLARATIONS

The Policy is complete only when the following are combined: Policy Jacket (Part One), Declarations Page (Part Two),
GENERAL PROVISIONS and when purchased, **PERSONAL PROPERTY** and or **PERSONAL LIABILITY**.

PART TWO

Named Insured and Mailing Address

JULIO C GUERRA
 CAPT USNR
 395 D RICKETTS ROAD
 MONTEREY CA 93940

Policy Number

USAA 00282 32 17 REN 002

POLICY PERIOD: From 07/09/92 To 07/09/93 (12:01 A.M. Standard Time at location of the property described)

PERSONAL PROPERTY			Premium
DEDUCTIBLE: In case of loss we cover only that part of the loss over the amount stated below. 100		Limit of Liability 29,100	142.45
PERSONAL LIABILITY			
Coverages		Limit of Liability	
LIABILITY	Each Occurrence	100,000	49.00
MEDICAL PAYMENTS TO OTHERS	Each Person	1,000	
OPTIONAL COVERAGES			
PREMISES ALARM SYSTEM REPLACEMENT COST ADJUSTED CONTENTS WORKERS COMPENSATION			INCLUDED INCLUDED NO CHARGE NO CHARGE
TOTAL ANNUAL PREMIUM			191.45

Forms and endorsement(s) made a part of this policy at time of issue or amendment

R-CA (0190), R-20 (0486), R-25 (0486), R-90 CA (0486), RP-1 (0486)
 RP-3 (0486), RP-6 (0486)

Loss Payable Clause: Loss, if any, will be paid to you and

as interests may appear.

In WITNESS WHEREOF, we have caused this policy to be signed by our Chairman and Secretary at San Antonio, Texas.

RP-D 4-86 (Rev. 12-81)

William McCrae
 William McCrae, Secretary

Robert F. McDermott
 Robert F. McDermott, Chairman
 07/09/92

QUICK REFERENCE

DECLARATIONS PAGE	
	<ul style="list-style-type: none"> - Your Name And Mailing Address - Policy Period - PERSONAL PROPERTY (If purchased: Limit of Liability Deductible - PERSONAL LIABILITY (If purchased: Limit of Liability - OPTIONAL COVERAGES
Beginning on Page	GENERAL PROVISIONS (4 Pages)
GP-1	Agreement
GP-1	Definitions
GP-3	Policy Period
GP-3	Cancellation and Non-Renewal
PERSONAL PROPERTY (If Purchased) (10 Pages)	
PP-1	Property Covered
PP-1	Deductible
PP-2	Property Not Covered
PP-3	Causes of Loss Covered
PP-4	Causes of Loss Not Covered
ADDITIONAL PERSONAL PROPERTY COVERAGES	
PP-5	Moving and Storage
PP-6	Food Spoilage
PP-6	Lock Replacement
PP-6	Loss of Use
PERSONAL PROPERTY CONDITIONS	
PP-8	Insurable Interest
PP-8	Duties After Loss
PP-9	Loss Settlement
PP-10	Other Insurance
PERSONAL LIABILITY (If Purchased. Not applicable in Texas.) (7 Pages)	
PL-1	Liability
PL-1	Medical Payments to Others
PL-1	Exclusions
ADDITIONAL PERSONAL LIABILITY COVERAGES	
PL-4	Claim Expense
PL-5	Damage to Property of Others
PL-5	Damage to Government Housing
PERSONAL LIABILITY CONDITIONS	
PL-6	Limit of Liability
PL-6	Duties After Loss
PL-7	Other Insurance

Part One

This Policy is not complete unless it is issued with Declarations Page (Part Two) and GENERAL PROVISIONS.

POLICY SUMMARY

This is a legal contract between you, the policyholder and us, your insurer. And like other contracts, it contains certain duties and responsibilities of both parties to the contract.

Optional coverages you have purchased will be shown on the Declarations Page with appropriate premium. These coverages are subject, however, to those limitations and restrictions explained in the policy.

If you have purchased PERSONAL PROPERTY coverage, the RENTERS PROTECTION policy insures most of the personal possessions you - and others listed on GP-1, GENERAL PROVISIONS - own. The causes of loss or damage to personal property which this policy insures against are specifically identified and further explained where necessary.

If you have purchased PERSONAL LIABILITY coverage, this policy provides financial protection when you are held liable for damage to the property of others or for injury to others - both on and off your property.

The Quick Reference will help you readily locate parts of the policy to which you wish to refer.

We have tried to make this policy easy to read and understand. But should you need clarification on some point, we will be glad to provide it.

PROVISIONS APPLICABLE TO

United Services Automobile Association (A Reciprocal Interinsurance Exchange)

A non-assessable policy

- Reciprocity
- Special definitions and provisions
- Plan of operation

In your policy these sets of words have the same meaning: Policy means Contract; You, Your or Insured means Subscriber; We, us, our, USAA or Company means Reciprocal or Interinsurance Exchange; Premium means Deposit; Chairman means Attorney-in-Fact.

Your policy is issued as part of an Interinsurance Exchange by the Chairman of USAA as Attorney-in-Fact under the authority given him by the subscribers.

No Contingent Liability: You are liable only for the amount of your premium since USAA has a free surplus in excess of the amount required by Article 19.03 of the Texas Insurance Code of 1951, as amended.

Participation: By purchasing this policy, you are a member of USAA and subject to its bylaws. You are entitled to dividends as may be declared by us, after approval as required by the Texas Insurance Code of 1951, as amended.

RENTERS PROTECTION POLICY
- GENERAL PROVISIONS -

GENERAL PROVISIONS contains the definitions and provisions that apply to this Policy. But **GENERAL PROVISIONS** applies only to the section for which a premium is shown on the Declarations Page.

AGREEMENT

In return for your payment of premium and subject to the terms of this policy, we will provide the insurance described.

The full limit of liability under this policy will be automatically reinstated after a loss.

DEFINITIONS

To help you understand your Policy:

- "We", "us", and "our" mean the company providing this insurance.
- "You" and "your" mean the person named on the Declarations Page. We also mean your spouse when a resident of your household.

In addition, certain words and phrases are defined as follows:

1. "actual cash value" means the replacement cost of the property at the time of loss less a deduction for depreciation based on its age and usage.
2. "bodily injury" means bodily harm, sickness or disease, including required care, loss of services and death that results.
3. "business" includes trade, profession or occupation.
4. "Insured" means you and residents of your household who are:
 - a. your relatives; or
 - b. other persons under the age of 21 and in the care of any person named above.

Under **PERSONAL LIABILITY**, "Insured" also means:

- c. with respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in a. or b. above.

A person or organization using or having custody of these animals or watercraft in the course of any business or without consent of the owner is not an Insured;

- d. with respect to any vehicle or conveyance to which this policy applies:
 - (1) persons while engaged in your employ or that of any person included in a. or b. above; or
 - (2) other persons using the vehicle on an insured location with your consent.

5 "insured location" means

- a if your principal place of residence
 - (1) a one to four family residence or
 - (2) that part of any other building where you reside
- b the part of other premises, other structures and grounds used by you as another residence.
- c any premises used by you in connection with a or b above
- d any part of a premises
 - (1) not owned by an insured; and
 - (2) where an insured is temporarily residing.
- e vacant land, other than farm land, owned by or rented to an insured;
- f land owned by or rented to an insured on which a one or two family dwelling is being built as a residence for an insured;
- g individual or family cemetery plots or burial vaults of an insured; or
- h any part of a premises occasionally rented to an insured for other than business use.

6 "property damage" means physical injury to, destruction of, or loss of use of tangible property.

7 "residence employee" means:

- a an employee of an insured whose duties are related to the maintenance or use of the place of residence, including household or domestic services, or
- b one who performs similar duties elsewhere not related to the business of an insured.

**CONCEALMENT,
MISREPRESENTATION
OR FRAUD**

The entire policy is void if, whether before or after a loss, an insured:

- a intentionally conceals or misrepresents any material fact or circumstance, or
- b makes false statements or engages in fraudulent conduct,

relating to this insurance.

**LIBERALIZATION
CLAUSE**

If we adopt any revision which would broaden the coverage under this policy without additional premium within 60 days prior to or during the policy period, the broadened coverage will immediately apply to this policy.

**WAIVER OR
POLICY CHANGES**

No waiver or change to the coverages stated in this policy may be made except by us, in writing. Our request for an appraisal or examination will not waive any of our rights.

**CONFORMITY TO
STATUTE**

Terms of this policy in conflict with written laws of the state in which the policy is issued are changed to conform to such laws.

ASSIGNMENT

Assignment of this policy will not be valid unless we give our written consent.

**RECOVERY FROM
OTHERS**

- a. You must assign to us your rights of recovery against persons causing damage or loss to your property for which a claim is paid. You need only assign to us the amount of the claim paid.
 - b. If an assignment is sought, you must sign and deliver all related papers and cooperate with us.
 - c. Recovery From Others does not apply to Medical Payments to Others or to Damage to Property of Others under PERSONAL LIABILITY when it is a part of the Policy.
-

POLICY PERIOD

This policy applies only to loss which occurs during the policy period.

**CANCELLATION AND
NON-RENEWAL**

Cancellation.

- a. You may cancel this policy at any time. But the effective date of cancellation cannot be earlier than the date of your request.
- b. We may cancel this policy by notifying you in writing at least 30 days before the date cancellation takes effect. This cancellation notice will be mailed to you at your last known mailing address. Proof of mailing will be sufficient proof of notice.
- c. When this policy is cancelled, the pro rata premium for the period from the date of cancellation to the expiration date will be refunded.
- d. If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.
- e. When you have not paid your premium, we may cancel at any time by mailing to your last known address written notice at least 10 days before the date cancellation takes effect.

Non-Renewal.

We may elect not to renew this policy. We may do so by mailing to you at your last known mailing address, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

DEATH

If the person named on the Declarations Page or the spouse if a resident of the same household dies

a we insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death.

b insured includes

- (1) any member of your household who is an insured at the time of your death, and
- (2) with respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative

RP-1 Ed 4-86

GENERAL PROVISIONS
(4 Pages)

GP-4

RENTERS PROTECTION POLICY

- BROAD PERSONAL PROPERTY WITH REPLACEMENT COST -

PERSONAL PROPERTY describes the coverage you have in case of loss to your household goods and other personal property.

PERSONAL PROPERTY is not complete without Parts One and Two and **GENERAL PROVISIONS**, and is not in effect unless a premium is shown for it on the Declarations Page.

PROPERTY COVERED	Subject to the PROPERTY NOT COVERED provisions of this policy, we cover all personal property, anywhere in the world, owned by: <ul style="list-style-type: none">• any insured;• someone else when it is at your residence or in your custody.
DEDUCTIBLE	All covered losses are subject to the deductible shown on the Declarations Page, except where otherwise stated in this policy.
DOLLAR LIMITS ON SOME PROPERTY	The dollar limit shown below for each group is the most we will pay for a loss to one or more items in that group:
1. \$3,000	For motorized golf carts and their equipment and accessories. But if, at the time of loss, there is an automobile policy covering physical loss to golf carts, then this policy does not apply to those golf carts and their equipment and accessories.
2. \$2,500	For theft of silverware, silver-plated ware, goldware, gold-plated ware and pewterware.
3. (a) \$2,500 (b) \$250	For business property at your residence. For business property away from your residence.
4. \$2,000	For theft of firearms and their equipment and accessories.
5. \$1,000	For theft of jewelry, watches, furs and precious and semi-precious stones.
6. \$1,000	For securities, accounts, deeds, evidences of debt, personal records, letters of credit, notes other than bank notes, manuscripts, passports, airline or other transportation tickets, stamps including postage stamps, and other philatelic property. This limit applies to these categories regardless of the medium. This limit includes the cost to research, replace or restore the information from the lost or damaged material.
7. \$1,000	For trailers not used with watercraft.
8. \$1,000	For watercraft including their trailers, their attached equipment and accessories and outboard motors.
9. \$200	For money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum, coins and medals.

**PROPERTY NOT
COVERED**

The following are not covered by this policy

- 1 Property separately described and specifically insured in whole or in part of another policy
- 2 Aircraft and Parts. Aircraft means any contrivance used or designed for flight except model or hobby aircraft not used or designed to carry people or cargo
- 3 Animals, birds or fish
- 4 Building materials and supplies for construction, reconstruction or remodeling of a building or structure
- 5 business data including such data stored in
 - a books of account, drawings or other paper records or
 - b electronic data processing tapes, wires, records, discs or other software media

But we will cover the cost of blank recording or storage media and of pre-recorded computer programs available on the retail market. The most we will pay is the limit of liability for business property.

- 6 Food stamps, gasoline coupons, and tokens
- 7 Motor vehicles or all other motorized land conveyances. This includes
 - a equipment and accessories; or
 - b any device or instrument for the transmitting, recording, receiving or reproduction of sound or pictures which is operated by power from the electrical system of motor vehicles or all other motorized land conveyances, including:
 - (1) accessories or antennas; or
 - (2) tapes, wires, records, discs or other media for use with any such device or instrument;

while in or upon the vehicle or conveyance

We do cover vehicles or conveyances not subject to motor vehicle registration which are:

- a used to service an insured's residence or
- b designed for assisting the handicapped

We also cover motorized golf carts and their equipment and accessories, subject to the DOLLAR LIMIT ON SOME PROPERTY

- 8 Property in the custody of a government mail or private mail or package delivery service.
- 9 Property rented to others or held for rental except property you leave in your permanent residence when you temporarily rent the residence. And then, money, securities, jewelry, watches, gems, precious or semi-precious stones, and articles of gold, silver or platinum are not covered. Nor is any loss to your covered property if caused by your tenant, his employee(s) or a member of his household.
10. Property of roomers, boarders, tenants or other residents. This exclusion does not apply to property of those related to an insured or to property of a residence employee.

There are other specific circumstances and conditions where the policy restricts or excludes coverage. These are described under CAUSES OF LOSS NOT COVERED, where applicable.

**CAUSES OF LOSS
COVERED**

We insure for direct physical loss to covered property when caused by any one or more of the following **CAUSES OF LOSS** and when not contributed to concurrently or in any sequence by any cause or event excluded in **CAUSES OF LOSS NOT COVERED**.

DESCRIPTIONS AND LIMITATIONS

- | | |
|---|--|
| 1. FIRE AND
LIGHTNING | |
| 2. WINDSTORM
OR HAIL | An opening in the roof or wall must be made by the direct force of wind or hail before we will cover damage due to rain, snow, sleet, sand or dust. |
| 3. FLOOD AND
WATER | <ul style="list-style-type: none">a. Damage caused by flood, surface water, tidal wave, overflow of a body of water, or spray from any of these, even if driven by wind, will be covered.b. Damage caused by water which backs up through sewers or drains will be covered.c. Damage caused by accidental escape of water from plumbing, heating or air conditioning pipes, fixtures or equipment or domestic appliances will be covered.d. We will not cover damage caused by gradual seepage of water through building or basement walls, roofs, windows, doors, foundations or floors. |
| 4. EARTHQUAKE | <p>This includes land shock waves or tremors before, during or after a volcanic eruption.</p> <p>One or more earthquake shocks that occur within a seventy-two hour period will constitute a single earthquake.</p> |
| 5. EXPLOSION | |
| 6. SMOKE | We will not cover smoke damage from agricultural smudging or industrial operations. |
| 7. AIRCRAFT | This includes self-propelled missiles and spacecraft. |
| 8. VEHICLES | |
| 9. COLLAPSE OF
BUILDING | We will cover damage to covered personal property caused by collapse of a building or any part of the building. |
| 10. THEFT | <ul style="list-style-type: none">a. Theft includes attempted theft, pilferage, larceny, burglary, robbery, holdup and embezzlement. It also includes loss from a known place when it is likely the property has been stolen.b. We will not cover property lost or misplaced. |
| 11. VANDALISM
AND MALI-
CIOUS
MISCHIEF | Property is covered against intentional and malicious damage. |

**12. RIOT AND
CIVIL COMMOTION**

13. FALLING OBJECTS

We do not cover loss to property contained in a building unless the roof or an exterior wall of the building is first damaged by a falling object. Damage to the falling object itself is not covered.

**14. SUDDEN AND
ACCIDENTAL
TEARING
APART,
CRACKING,
BURNING OR
BULGING**

We cover loss to a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

This CAUSE OF LOSS does not include loss caused by or resulting from freezing except as provided in FREEZING below.

15. FREEZING

We cover freezing loss to a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance.

This CAUSE OF LOSS does not include loss at your place of residence while unoccupied unless you have used reasonable care to

- a maintain heat in the building, or
 - b shut off the water supply and drain the system and appliances of water.
-

**16. SUDDEN AND
ACCIDENTAL
DAMAGE FROM
ARTIFICIALLY
GENERATED
ELECTRICAL
CURRENT**

Loss to a tube, transistor or like electronic component is not covered.

**17. VOLCANIC
ERUPTION**

This does not include loss caused by earthquake, land shock waves or tremors.

**CAUSES OF LOSS
NOT COVERED**

We do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss.

1.
 - War.
 - Undeclared war
 - Civil war
 - Insurrection
 - Rebellion
 - Revolution
 - Warlike act by a military force or military personnel
 - Destruction, seizure or use for a military purpose

Nor is any consequence of these covered.

Discharge of a nuclear weapon will be deemed a warlike act, even if accidental.

2. Nuclear reaction, radiation or radioactive contamination. All whether controlled or uncontrolled, however caused.
Nor is any consequence of these covered. Loss caused by these shall not be considered loss caused by fire, explosion, or smoke. But we do cover direct loss by fire resulting from nuclear reaction, nuclear radiation, or radioactive contamination.
3. Neglect of an insured to use all reasonable means to save and preserve the property at and after the time of loss.
4. Intentional loss, meaning any loss arising out of any act committed:
 - (a) by or at the direction of an insured; and
 - (b) with the intent to cause a loss.
5. Power failure, meaning the failure of power or other utility service if the failure takes place off your premises. But if a covered loss ensues on your premises, we will cover that ensuing loss.

THE FOLLOWING ARE ADDITIONAL COVERAGES.

**MOVING AND
STORAGE**

This additional coverage does not apply to any part of your property already in transit or in storage when this policy first becomes effective. However, the previously described **CAUSES OF LOSS COVERED** do apply to such property.

- A. **MOVING AND STORAGE** begins when your property passes into the custody of a public carrier, including United States government trucks, aircraft and vessels, or a storage facility. It must be under a bill of lading, a mover's contract, baggage check, or other form of shipping or storage document.
It ends when your property is delivered to your permanent or temporary address in accordance with the shipping document. Or when you take possession of your property from storage.
- B. In addition to the previously described **CAUSES OF LOSS COVERED** there is coverage under **MOVING AND STORAGE** for:
 1. loss of your property if, when described under a bill of lading, mover's contract, baggage check, or other form of shipping or storage document, it cannot be located after a reasonable search.
 2. loss or damage caused by the stranding, sinking, overturning, crashing, ditching, derailment, burning or collision of a public conveyance.
 3. loss or damage caused by water, except as excluded in C. below.
 4. your share of general average and salvage charges. These charges do not change the amount shown on the Declarations Page for **PERSONAL PROPERTY**.
- C. We will not cover loss or damage caused by:
 1. Breakage, marring, scratching or handling.
 2. Delay during shipment.
 3. Humidity or temperature changes.
 4. Mildew and mold.
 5. Inherent defect of the property.
 6. Insufficient packing or address.
 7. Insects, rodents and vermin.
- D. This coverage does not change the amount shown on the Declarations Page for **PERSONAL PROPERTY**.

FOOD SPOILAGE

We will pay you up to \$500 for loss caused by power failure to the contents of a freezer or a refrigerator that is at your residence. Item 5 under CAUSES OF LOSS NOT COVERED does not apply to Food Spoilage.

This coverage does not change the amount shown on the Declarations Page for PERSONAL PROPERTY.

No deductible applies to this coverage.

LOCK REPLACEMENT

When the residence door keys are stolen in a covered theft loss, we will pay the cost to:

- a. change the combination in the lock cylinder of the door locks as needed, or
- b. change the lock hardware of the doors as needed.

The limit of liability for LOCK REPLACEMENT is \$250.

This coverage does not change the amount shown on the Declarations Page for PERSONAL PROPERTY.

No deductible applies to this coverage.

LOSS OF USE

LOSS OF USE as described below has no limit.

1. If a covered loss to covered property or to the building containing the property makes the place where you reside not fit to live in, we cover, at your choice, either of the following:

- a. Additional Living Expense - meaning any necessary increase in living expenses incurred by you to maintain your normal standard of living, or
- b. Fair Rental Value - meaning the fair rental value of that part of the place where you reside less any expenses that do not continue while the premises is not fit to live in.

However, if this residence is not your principal place of residence, we will not provide this option.

The amount we pay under a. or b. will be for the shorter of:

- the period of time reasonably required to repair or replace the damage, or
- the period of time needed to permanently settle your household in new quarters.

2. If a covered loss makes that part of your residence rented to others or held for rental by you not fit to live in, we cover the:

Fair Rental Value - meaning the fair rental value of that part of your residence rented to others or held for rental by you, less any expenses that do not continue while it is not fit to live in.

We will pay for the shortest time reasonably required to repair or replace that part of your premises rented or held for rental.

3. If a civil authority prohibits you from use of the place where you reside as a result of direct damage to neighboring premises by a covered cause of loss, we cover the Additional Living Expense or Fair Rental Value loss as provided under 1 and 2 above, for no more than two weeks.

The limit for this coverage is in addition to the amount shown on the Declarations Page for PERSONAL PROPERTY.

The periods of time under 1, 2, and 3 above are not limited by expiration of the policy.

We do not cover loss or expense due to cancellation of a lease or agreement.

No deductible applies to this coverage.

**BUILDING
ADDITIONS AND
ALTERATIONS**

We cover damage from a covered loss to building improvements or installations made or acquired at your expense to that part of the residence used exclusively by you. The most we will pay is 10% of the amount for **PERSONAL PROPERTY** as shown on the Declarations Page.

This limit is in addition to the amount shown on the Declarations Page for **PERSONAL PROPERTY**.

**CREDIT CARD, FUND
TRANSFER CARD,
FORGERY AND
COUNTERFEIT
MONEY**

We will pay up to \$1,000 for:

1. an insured's legal duty to pay because of the theft or unauthorized use of credit cards issued to or registered in an insured's name.
2. loss resulting from theft or unauthorized use of a fund transfer card used for deposit, withdrawal or transfer of funds, issued to or registered in an insured's name.
3. loss to an insured caused by forgery or alteration of any check or negotiable instrument; and
4. loss to an insured through acceptance in good faith of counterfeit United States or Canadian paper currency.

We do not cover use of a credit card or fund transfer card:

1. by a resident of your household;
2. by a person who has been entrusted with either type of card; or
3. if an insured has not complied with all terms and conditions under which the cards are issued.

All loss resulting from a series of acts committed by any one person or in which any one person is concerned or implicated is considered to be one loss.

We do not cover loss arising when the cards are used for business. Nor do we cover loss caused by dishonesty of anyone whose property is insured by this policy.

LEGAL DEFENSE

1. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to defend a claim or suit ends when the amount we pay, offer or tender to a court for the loss equals the limit of liability for this coverage.
2. If a claim is made or a suit is brought against an insured for liability under the **CREDIT CARD** or **FUND TRANSFER CARD** coverage, we will provide a defense at our expense by counsel of our choice.
3. We have the option to defend at our expense an insured's bank against any suit for the enforcement of payment under the **FORGERY** coverage.
4. You must cooperate with us and provide us with any aid we require in settling a claim under this coverage.

No deductible applies to this coverage.

This coverage is additional insurance.

**FIRE DEPARTMENT
SERVICE CHARGE**

We will pay up to \$500 for fire department charges you must pay when the fire department is called to save or protect covered property. The loss must result from one of the covered losses and you must have assumed the charges by contract or by agreement.

No deductible applies to this coverage.

This coverage is additional insurance.

**REASONABLE
REPAIRS**

We will pay the reasonable cost incurred by you for needed repairs made solely to protect covered property from further damage from a covered loss

This coverage does not change the limit of liability that applies to the damaged property

**PROPERTY
REMOVED**

We cover your property against direct loss from any cause while being removed from a premises endangered by a covered loss and for no more than 30 days while removed

This coverage does not change the limit of liability that applies to the property being removed

**DEBRIS
REMOVAL**

We will pay the reasonable cost incurred by you to remove

- a debris of covered property if the loss is from a covered loss, or
- b ash, dust or particles from a volcanic eruption that causes direct loss to covered property.

If the amount we must pay for the actual damage to your property plus the cost to remove the debris is more than the limit of liability for the damaged property, an additional 5% of that limit is available for debris removal expense

This coverage does not change the limit of liability that applies to the damaged property.

PERSONAL PROPERTY CONDITIONS

**INSURABLE
INTEREST**

Even if more than one person has an insurable interest in the property covered, our coverage in any one loss will be the lesser of:

- a the amount of an insured's interest at the time of loss, or
 - b the applicable limit of liability.
-

If there is an accident or incident that may be covered by this policy you must do the following:

DUTIES AFTER LOSS

1. In the case of a loss by theft, vandalism, or malicious mischief, immediately notify the police or military authority, whichever has jurisdiction over the location where the loss occurred. Immediately notify the credit card or fund transfer card company in case of loss under CREDIT CARD or FUND TRANSFER CARD coverage
 2. Protect the property from further damage
 3. Contact us as soon as possible and tell us as much as you can about the loss. Give us the price and date of purchase, actual cash value and a complete description of the article(s) involved.
 4. Submit a proof of loss when required by us.
 5. Send us receipts, appraisals or other proof of ownership or value. Tell us if there is a lien on the property, and who holds it. You must tell us if there is other insurance on the property.
 6. If required by us, you must show us the property and answer our questions under oath about the loss or damage.
 7. You must tell us about the loss within 91 days after the loss is discovered. Unless you are reasonably prevented from doing this, your claims will not be accepted.
-

SUIT AGAINST US

There is a time limit for bringing legal action against us concerning this policy. It must be filed within two years after the loss occurs. You must also comply with all policy provisions.

LOSS SETTLEMENT

We will pay the full cost of repair or replacement, subject to all policy provisions. No deduction will be made for depreciation.

The value of the covered property is not agreed upon, but shall be set at the time of loss or damage.

1. It is our option to:
 - a. replace, or pay you our cost to replace the property with new property of like kind and quality, without deduction for depreciation, or
 - b. pay you the cost to repair or restore the property to the condition it was in just before the loss.
2. The following property is not eligible for replacement cost loss settlement:
 - items of rarity or antiquity that cannot be replaced;
 - articles whose age or history contributes substantially to their value. These include but are not limited to, memorabilia, souvenirs and collectors' items;
 - motorized golf carts and their equipment and accessories.

On losses to these items it is our option to:

- a. pay you the actual cash value; or
 - b. replace, or to pay you our cost to replace the property with property of like kind, quality and condition; or
 - c. pay you the cost to repair or restore the property to the condition it was in just before the loss.
3. We will not pay more than the limit of liability shown on the Declarations Page for **PERSONAL PROPERTY**. Nor more than any other limits stated in the policy.
 4. When the cost to repair or replace an item is more than \$500, no more than actual cash value will be paid until repair or replacement is completed.

You may make a claim for loss on an actual cash value basis and then make claim within 180 days after the loss for any additional liability.
 5. We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:
 - a. we reach an agreement with you; or
 - b. there is an entry of a final judgment; or
 - c. there is a filing of an appraisal award with us.
-

PAIRS AND SETS

In case of loss of an article which is part of a pair or set, we will consider the importance of the article in settling your claim fairly and reasonably.

We will not pay you for the loss of the entire pair or set because of the partial loss.

**RECOVERED
PROPERTY**

If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. Your choice will be to have the property returned to or retained by you or it will become our property.

If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.

ABANDONMENT

You may not abandon property to us for any reason.

APPRAISAL

1. If you and we do not agree on the amount of loss, either party can demand that the amount of the loss be determined by appraisal.
2. If either makes a written demand for appraisal, each will select a competent independent appraiser and notify the other of the appraiser's identity within 20 days of receipt of the written demand.

The two appraisers will then select a competent impartial umpire. If the two appraisers are not able to agree upon an umpire within 15 days, you or we can ask a judge of a court of record in the state where the property is located to select an umpire.

3. The appraisers will then set the amount of the loss. If they submit a written report of any agreement to us, the amount agreed upon will be the amount of the loss. If they fail to agree within a reasonable time, they will submit their differences to the umpire.

Written agreement signed by any two of these three will set the amount of the loss. Each appraiser will be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire will be paid equally by you and us.

**PROPERTY HELD
BY OTHERS**

We will not recognize any assignment to nor will we provide any coverage for the benefit of anyone holding, storing or transporting your property for a fee.

OTHER INSURANCE

1. If, at the time of loss:
 - a. there is trip transit coverage in force, or
 - b. there is coverage provided under our Personal Computer Endorsementthen this policy will apply only when that coverage has been exhausted.
 2. If there is insurance other than described above, payment under this policy will be prorated on the basis of the total amount of insurance applying to the loss.
 3. Under LOSS OF USE the following applies to Additional Living Expense:

We will share payment equally up to the limit of liability for similar coverage provided by other insurance. Expense in excess of the limit in any other insurance will be covered by this policy.
-

APPENDIX C



November 1, 1993

JULIO C GUERRA III
LT USNR
395 D RICKETTS ROAD
MONTEREY CA 93940-4818

Dear Lieutenant Guerra:

After our recent conversation about your thesis project, I found I was going to be able to provide answers to many of your questions. Enclosed you will find USAA's response. I hope these will help you with your project.

Best wishes and good luck in completing the thesis.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mike".

Michael J. Trevino
Public Affairs Specialist

lal

Enclosure

USAA Bulletin Board - Texas Project

1) In your experience, what percentage of military personnel you insure elect to take out replacement cost coverage prior to permanent change of station (PCS) moves?

We have not experienced our members requesting a change to replacement cost coverage because of an impending move. In fact, approximately 90 percent of our Renters policies have replacement cost coverage and the Renters is in force before the move.

2) Do you see this is an increasing, decreasing or negligible trend?

No trend — see answer above.

3) What types of problems do you encounter with the claims submitted to you for losses on PCS moves?

The largest single cause of problems on PCS moves is that the government tells the officer they have two (2) years to file with the government, but they do not tell them to file with their private insurance also. This causes many other problems: delays in getting notice of claims, loss of documentation, loss of vital claims information because of time delays, delays in tracer action, etc.

4) Is there any priority on your part to collect from the carrier for these losses after payment to the military personnel?

Generally, on claims that involve damaged property or have both damaged property and missing property, we file our claims with the government claims office and they collect from the carrier for the government's interest and USAA's interest. In claims that are just for missing items, USAA does its own collection directly with the carriers through our Subrogation Department.

5) Do you feel the current claims process is fair with respect to the officer having to file against his personal insurance on a government sponsored move?

Our members frequently ask, "Why should I have to make a claim with my private insurer when the government is requiring me to move? They should have to pay for any damage or anything that is missing."

As far as USAA is concerned, we write a Renters policy that provides limited coverage for PCS moves. If there is a claim filed that is covered under the policy, then it is proper for us to pay it and take any appropriate subrogation action.

6) In your opinion, is the claims process slanted to favor the officer?

From the standpoint of the private insurer, USAA attempts to settle claims fairly based upon reasonable documentation of loss by the insured. We understand that there are situations that make it difficult for the officer to file the claim or to substantiate ownership and value of property that has been lost or destroyed. Extenuating circumstances are frequently taken into account in the adjustment process.

7) Do you consider fraud to be a factor on many PCS associated claims?

The incidence of fraud for these types of claims appears to be no higher than for other business.

8) What do you see as the major problem with the military claims system as it stands now with respect to the way an officer files a claim?

The major problem is as stated in the answer to #3: The government and Defense Department do not tell the member to file with their private insurance carrier right away.

9) What would you do to improve the current system in regard to the government's claim filing procedure?

The single thing that could be done to improve the current system is to inform the officer to also file with his private insurance carrier as soon as possible. Additionally, there is a problem with getting the officer to sign the military claim forms. They should be checked for a signature before they are sent in to USAA.

10) In your opinion, does temporary storage in route result in a noticeably higher incidence of claims on a PCS move?

No.

11) What is your best advice to officers on how to limit losses on a PCS move?

Buy extra insurance from the mover. In situations where officers have purchased extra insurance from the mover, there tend to be fewer and smaller claims apparently because the carriers take better care of the property than if you do not take out any extra insurance. Also don't pack jewelry; carry it with you. Do not let movers rush you. Take time to check the inventory before you sign it when the goods are picked up, and take time to check it upon delivery to be sure it all got there.

Coverage Questions:

For losses on PCS moves, what type of coverage does an officer have on a:

12) Renter's policy?

Damage or lost items only. There is no coverage for breakage, marring, scratching or handling, delay during shipment, humidity or temperature changes, mildew and mold, inherent defect of the property, insufficient packing or address, insects, rodents or vermin.

Coverage is only provided for Personal Property which is under a "Bill of Lading," a "Mover's Contract," "Baggage Check," or other form of shipping or storage document.

13) Homeowner's policy?

He has coverage only for loss caused by perils insured against (as listed in the policy); these include fire and lightning, theft, vehicle, etc.

14) How does the coverage vary between domestic and overseas damage?

There is no coverage variance based on location.

15) Is there any special type of insurance product available from USAA just for PCS moves?

No.

16) Does USAA keep statistics on total payments made for losses on PCS moves? If so, can they be provided for this survey?

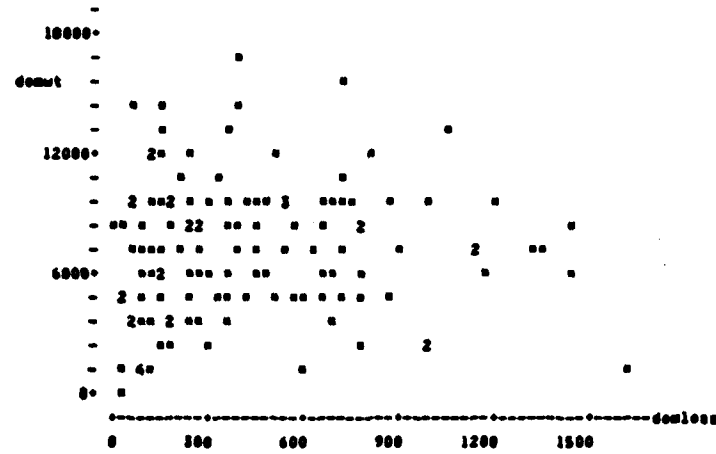
No. USAA does not consider PCS in analyzing loss data.

17) Is the level of losses on PCS moves an issue or concern at USAA?

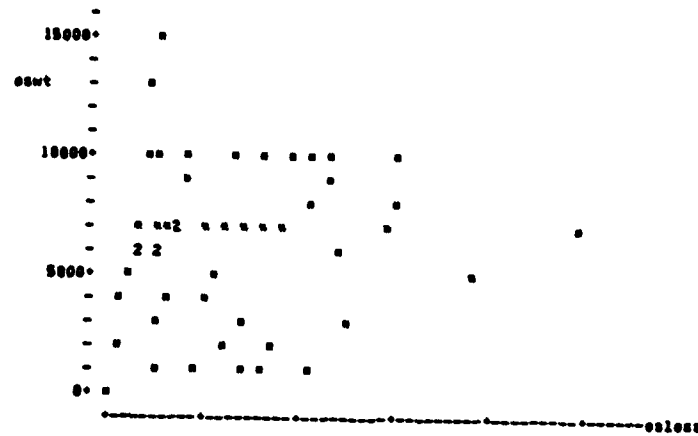
No.

APPENDIX D

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MTB > plot c3 c4



MTB > correlation c1 c2

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MTB > correlation c3 c4

Correlation of eswt and esless = 0.100

MTB > save 'thesis'

Worksheet saved into file: THESIS MINITAB A

MTB > save

Worksheet saved into file: WORKSHEET MINITAB A

MTB > stop

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